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John H. Hill

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

Ten Years of Rural Rehabilitation
In The United States

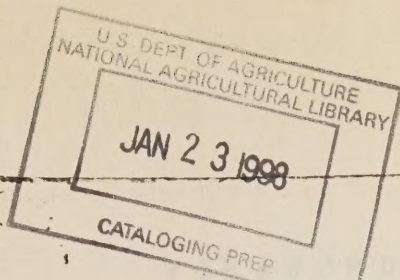
Part I (p. 1-149)

Washington, D. C.
July 1947

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FOREWORD

The study on which this report is based was made at the special request of the Farm Security Administration. Emphasis is on the prewar standard rural rehabilitation loan program, but war-induced changes are indicated. No set cut-off date was possible for the statistical data; most of the statistics carry into 1943 or 1944. (The work of the Farm Security Administration is now embodied in the program of the new Farmers Home Administration.)

Nearly every division of the Farm Security Administration concerned with the standard loan program made some direct contribution to the study. Acknowledgment is made of the assistance provided by several members of the Farm Security staff at the time the study was made, particularly by James G. Maddox, who originally encouraged the study and arranged for making data freely available, and by John M. Brewster, G. E. Tichenor, Barbara Reagan, Sydney Reagan, and Lowell Schaeffer.

Olaf F. Larson who conducted this study was assisted by staff members of the Bureau of Agricultural Economics other than those who shared in the preparation of the present report. These include Franklin M. Aaronson, Dorothy F. McCamman, and Roy L. Roberts, who helped in supervision and analysis, and Fred L. Garlock and George Y. Jarvis, who collaborated in credit phases of one of the research projects on which this report was based.

Many of the findings were given to the Farm Security Administration during the progress of the study. Before he left the Bureau of Agricultural Economics, Olaf F. Larson prepared this report of the study as a whole. Because of the war it was not published. It is now thought that a few copies of the complete results of Dr. Larson's comprehensive study should be made available to interested research workers, administrators, and to libraries.

The study of which this report is based was made at the request of the Joint Committee on Atomic Energy. The study was made by the Joint Committee on Atomic Energy, and the results are being presented to the public in this report. The study was made by the Joint Committee on Atomic Energy, and the results are being presented to the public in this report.

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THE JAMES EARL RAY CASE

1. The James Earl Ray case is a landmark case in the history of the American criminal justice system.
2. It is a case that has captured the imagination of the American people and has become a national obsession.
3. The case has been the subject of numerous books, movies, and television programs.
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TEN YEARS OF RURAL REHABILITATION IN THE UNITED STATES

Olaf F. Larson, assisted by
Paul J. Jehlik, Ralph R. Botts, Elco Greenshields,
Donald C. Horton, Giles Hubert, T. Wilson Longmore,
Orlin J. Scoville and Rachel Rowe Swiger

GENERAL SUMMARY

This report is concerned with the standard rural rehabilitation loan program carried on by the Resettlement Administration from July 1935 to September 1937 and by the Farm Security Administration after 1937. It is also concerned with the origin of this program in the rehabilitation activities carried on earlier by the Federal Emergency Relief Administration and the State rural rehabilitation corporations. Although other programs were carried on simultaneously by these same agencies, the standard loan program has been the major rural rehabilitation activity in terms of people, money, or geography.

The purposes of the report are (1) to record the significant experience accumulated in the United States through this program, (2) to outline the basic lessons that have been learned about the rehabilitation process and the use of the several tools and techniques involving a look ahead. Because the experiences in the United States may have value for rural reconstruction the world over, more attention is given to details in the use of techniques and to administrative procedures than would otherwise be necessary. Emphasis throughout is upon the program administered rather than upon the agency administering.

Characteristics of Standard Loan Program

The chief characteristics of the standard loan program include (1) credit for normal farm and home operating expenses to farm families who are unable to obtain satisfactory financing from any other private or federal source, (2) supervision, or advisory assistance, which includes help in making farm and home plans and "on-the-farm" teaching of improved farm and home practices, and (3) rehabilitation in place, that is, without resettlement.

The combination of credit and supervision is the unique feature which has resulted in the standard loan program being called a "social invention of high significance." The financial aid is of a "high-risk" type with certain welfare objectives. Other techniques adapted or developed to aid borrowers include improvement of tenure; group services, established with or without loans, to provide needed services or facilities such as sires or machinery where family circumstances do not justify individual ownership; group health plans to provide medical and dental care, hospitalization and drugs; adjustment of debts, a service transferred from the Farm Credit Administration in 1935; environmental sanitation; special types of loans such as for water facilities and 4-H Club activity; and specialized programs in limited areas to develop new methods or meet localized needs. Examples of the last-named are farm-unit reorganization in the Southern Great Plains, the special Negro community program, and the noncommercial experimental program. Grants, a form of direct assistance not calling for direct cash repayment, were

used extensively during the depression years but during the war years were greatly restricted. Before the prohibition by Congress, written into the 1944 Agriculture Appropriation Act and subsequent Acts, cooperative associations were assisted and were established to aid borrower families. Associations were for marketing, purchasing, land-leasing, veterinary care, and a wide variety of other purposes. Neighborhood "action" or study groups at one time were encouraged to help borrowers discuss their problems and ways of solving them.

A Look Back at the Highlights

Scope and Coverage.— Some 695,000 families received standard loans between July 1, 1935 and September 30, 1943. This excludes farm ownership borrowers and project occupants who may have also had standard loans. By the end of 1945 the number had risen to nearly 770,000 — equivalent to 1 out of every 8 farm operators reported by the U. S. Census. The proportion would be considerably larger if from the census figures were deducted those operators for whom farming is not the main source of livelihood. These borrower families are dispersed throughout all but a dozen counties of the Nation. Counties with the largest proportions of their farmers with such loans tend to be concentrated in the Mountain and Great Plains States. However, nearly three-fifths of the total number are in the States comprising what are usually termed the "four Southern Regions" — IV, V, VI, and VIII. Several counties, mostly in the cotton-plantation areas, have each had more than 1,000 borrowers. These figures do not include any of the 397,000 cases made loans under FERA but who were classified as "nonstandard" or "grant only" cases after transfer to the Resettlement Administration or who were not transferred.

Between July 1935 and June 1944 a total of 787 million dollars from appropriated and borrowed funds was obligated as standard loans to individuals, of which 53 percent was for original and 47 percent for supplemental loans. Some of this money was for standard loans to farm-ownership borrowers and project occupants. Direct loans to associations, some or all of whose members were standard borrowers, totaled 22 million during the same period. Loans to individuals from what are known as "corporation trust funds" totaled 73 million during the same period, some of which was for standard loans to standard borrowers. Much of the additional 49 million dollars loaned under FERA would later have been called grants or nonstandard loans.

Data available do not permit any precise statement as to the number and proportion of standard borrowers who have received the special types of service such as debt adjustment, tenure improvement, or grants. It appears that the majority of families aided by most of these measures were standard loan borrowers. However, it is clear that most of these special measures have not reached anywhere near a majority of the standard loan families.

More than 27,000 group services were established through June 1944, to aid an estimated 225,000 to 300,000 participants of all categories. About two-thirds of these were for farm machinery and something less than one-third for sires. About 4,500 associations of various types were established or given financial or supervisory assistance; this includes some on resettlement-type projects and many in which standard

borrowers constituted only a portion of the membership. More than 1,200 of the total were groups for medical, dental, or hospital care. About 1,300 were local purchasing and marketing associations.

The 493,000 families participating in more than 3,500 associations of all types active at the close of 1943 affords no direct measure of the number of standard borrowers involved. Some 4,000 neighborhood action groups are estimated to have been established. Through December 1943 grants were given to 492,000 borrowers of all types. Grants for all purposes, to borrowers and others, totaled 152 million dollars through June 1943. Debts of 187,000 individual farmers aggregating 505 million dollars were reduced more than 109 million dollars by adjustment through June 1943. Debts of 119 groups amounting to 34 million dollars were reduced 66 percent by adjustment.

It is clear that by no means all eligible farm families have been aided by standard loans.

Origin and Administrative History.- Although feed and seed loans, first made in 1918, had some of the "high-risk" characteristics of rehabilitation loans and had certain relief effects, in general the program was unique in method and marked the first official recognition of the special problems of the lower income group of farmers. The program began, however, in a relief setting. This origin is responsible for certain difficulties encountered as rural rehabilitation became more like a permanent agricultural activity.

Groundwork was broken by the trial efforts in the emergency relief programs of a few States in 1933 to make loans to needy farmers in place of direct or work relief. When the program was started nationally under FERA in April 1934 some 600,000 farm families were estimated to be receiving relief. Another 600,000 families receiving relief lived in rural areas. The FERA rehabilitation work was an effort to meet the specific needs of distressed farm families whose requirements were not met by the work and direct relief measures instituted after the establishment of unemployment relief as a function and responsibility of the Federal Government in 1933. The acceptance of this function and responsibility by the Government was provoked by economic depression and by the inability to meet relief needs in the traditional ways through local units of government and private sources. In rural areas continued and widespread drought was in itself serious, and aggravated the effects of economic depression. The rural rehabilitation program, beginning within a public-assistance framework, represented the first major attempt to distinguish the requirements of a needy farmer from those of other needy individuals. The program was conceived as an economically and socially desirable means of restoring destitute farmers to self-support.

When rehabilitation functions were transferred from FERA to the Resettlement Administration, the early experience resulted in establishing several categories of aid, one of which was the standard loan. At this time, standard loan activities were considered as temporary and as definitely subordinate to land purchase and resettlement. By the time the Farm Security Administration succeeded the Resettlement Administration the standard loan program was definitely established as the major rehabilitation activity.

At all times the administering agencies have been responsible for other programs than the standard loans, though often using rehabilitation personnel for the other activities.

Each of the agencies have been established by executive rather than legislative action. Beginning with the Emergency Relief Appropriation Act of 1938 Congress has appropriated funds directly to the Secretary of Agriculture for the rehabilitation program. Starting with the fiscal year 1941 loans were financed for the most part by borrowing from the Reconstruction Finance Corporation. Some loans have also been made from "trust" funds originally established upon transfer of the assets of the State rural rehabilitation corporations to the Resettlement Administration.

Objectives.— When the program was conceived to perform an emergency function during the crisis of rural relief, the goals for individual families were to relieve their suffering and to restore them to permanent self-support. As the program continued, as understanding grew of the problem of rural poverty, and as deep-rooted causes of poverty were attacked, the objectives were broadened. Stated in somewhat philosophical terms, for the individual family the goals also were to obtain a physically healthful level of living, to obtain a socially desirable level of living, to acquire the skills and abilities needed to manage one's own farm and home successfully and independently, to achieve security, to obtain land enough for an economic unit of the family-farm type, to become a full participant in a democratic way of life, and — later — to have maximum employment of family labor in the production related to the war.

The program has also had broad objectives for agriculture, rural society, and the general welfare of the Nation. Changing economic and political conditions, war, and shifts in administrative personnel have resulted in shifts in some of these wider goals. Those which have continued throughout the program or have been added and were in force when this report was being written include: (1) To save the taxpayers' money, rehabilitation being viewed as more economical than either direct or work relief; (2) to preserve, reinforce, and perpetuate the family-type farm; (3) to bring about a better adjustment of population and land resources and to conserve land resources; (4) to achieve full utilization of manpower in the low-income farm population — this was a primary war measure; and (5) to make available to all citizens the opportunities of democracy so that they might have a stake in it. Objectives which have been dropped include, (1) to rehabilitate farmers without adverse effects on the commercial economy — this was a product of the fear of surpluses which prevailed early in the depression period; (2) to keep the maximum number of people on the land — this was primarily a reflection of the dismal employment outlook in the early depression years; and (3) to discourage undirected migration of the farm population — this was especially tied to the problems created by drought-stimulated migration. The fostering of farming as a way of life rather than as a commercial enterprise is a goal which has been greatly modified.

These goals have not been concisely stated in official pronouncements. They are expressed more concretely in terms of the working tools used to achieve them — "live at home" methods, diversified farming, tenure improvement, debt adjustment, farm and home plans, pressure cookers.

Basic Assumptions.-- The assumptions most basic to the standard rehabilitation loan program as a whole which have been at least implied during most of its life history are as follows.

1. The causes of poverty for the majority of those affected lie outside the direct control of the individual thus so disadvantaged. Further, except for certain physical disabilities, accidents, and natural calamities, most poverty has a social origin, being grounded in the nature of our society, its culture, and the relationship of the individual to his social environment.
2. Poverty originating in social causes is subject to prevention and correction by social action.
3. For the most part, there is nothing fundamentally wrong with poverty-stricken rural families. They are willing and able to earn their own living and can do so if given the right kind of a chance. They will respond to proper social action to help them.
4. Society has a responsibility to alleviate and prevent poverty since the security of our society, not simply the welfare of an individual family, is at stake.

These fundamental assumptions are a rejection of the relief philosophy inherited from the Elizabethan "poor laws." In time, one other basic assumption was propounded, namely, the resources for lasting rehabilitation rest within the people themselves: therefore, the program must be directed at tapping and mobilizing these resources. This premise is in accord with the democratic spirit. It stands for the exact opposite of paternalistic and continued supervision.

Borrower Characteristics.-- Eligibility requirements for a standard loan have changed from time to time. At first, being on or eligible for relief was a major prerequisite. Later, the upper limit was set by the inability to obtain credit at reasonable rates or terms from other sources. The lower limit has been rather subjective. Control of some land resources as an operator has been one of the qualifications, thus automatically barring from the program anyone who could not get the use of a piece of land. In general, the loans have been reserved for those whose usual occupation has been that of farm operator, including those recently displaced, and for sons of farmers wanting to start out for themselves. The program has not been used to encourage unemployed industrial workers to enter agriculture. Emphasis has been on assisting full-time farmers, although some allowance has been made for off-farm work which doesn't interfere with farming operations.

Under FERA there were some wholesale transfers of agricultural families from the relief rolls without much regard for capacity to become self-supporting as farm operators in line with rehabilitation objectives. As a rule, however, the presence of an able-bodied man, evidence of industry, and capacity to profit from supervision and financial aid have been among the primary requirements. Very few loans have been made where there was but one person in the household for farming is a family enterprise. To some degree loans have been made or denied as an instrument of policy, for example, to promote better land-use, at one time

to encourage population movement out of agriculture, at another time to discourage migration, and to obtain maximum national production and most efficient use of the Nation's manpower in wartime.

Borrowers accepted under the FERA rehabilitation program had the lowest socio-economic status, the least amount of physical and financial resources, and were the most disadvantaged of those accepted at any time. An upward trend in selection of borrowers was definitely under way by the time the Farm Security Administration was started and except for a down swing in 1939, resulting from administrative pressure to "dig deeper," it has continued. This trend derives from the fact that there have been more applicants than money, larger case-loads than supervisors could handle adequately, pressure to make a good record of collections, and generally unfavorable loan experience with the very low-income group. These forces resulted in tending to select applicants with the best prospects for repayment and requiring the least supervision. Wartime objectives of maximum food production and labor utilization accentuated this trend. This upward trend in selection means the floor, rather than the ceiling, has been raised in practice.

Significant comparison of standard borrowers with all farmers is handicapped by the fact that the data for all farmers reported by the U. S. Census includes those who, because of age, health, or occupation, are essentially rural residents rather than active farm operators. Compared with all farmers, borrowers at the time of acceptance were less likely to own the farm operated. If they owned, they were likely to have a poorer farm. The borrower had about the same size of farm, on the average, although usually not as fertile or well equipped. Borrowers were younger, had a larger family, and were more likely to have an unbroken family. Probabilities are that borrowers were more likely to have received some form of relief aid during the 1930's, to have a lower level of living and smaller incomes, and to do some work off the farm. The average active standard borrower in 1943 had a net income from all sources that would place him just below the midpoint in the distribution for all farmers. Comparison with just those for whom farming was the major enterprise, rather than with all farmers, would place the rehabilitation group in a lower relative position on the income scale.

Although there has been a wide range of characteristics and resources on the part of borrowers coming on the program within each region, there are central tendencies which set individual regions and groups of regions apart. What may be termed the regional "profile of poverty" shows that the average borrower accepted in some areas would have to make tremendous progress to be as well off as were the borrowers in other areas before they received rehabilitation assistance. Poverty is relative to the standards of an area.

A complex of problems, rather than a single problem, is characteristic of the situation of the typical rehabilitation family. These major problems include physical resources to produce income and protect health, skills and abilities to use resources, institutional arrangements, personal traits, social relationships, and credit.

Program Changes. Many of the shifts that have occurred in connection with the rehabilitation program can scarcely be interpreted as "trends,"

for they have taken place abruptly as a result of legislative or administrative action. From the standpoint of analytical and historical interest, some of the more important changes since the beginning under FERA are as follows:

1. A shift from the idea that rehabilitation for the majority of families should be by resettlement to the idea that the major program should be rehabilitation "in place" through the standard loan type of aid.
2. A change from a generalized rural rehabilitation program to a more differentiated program with special tools and techniques such as the standard, emergency, and other types of loans; grants and tenure improvement; group services, environmental sanitation, neighborhood action groups, etc.
3. A shift from a decentralized program administered by the States, subject to veto power by the Federal agency (FERA) to a Federally administered program with a large measure of responsibility at the regional level (RA and FSA). Later, within the centralized program, there was increased delegation of judgment determinations to the lower administrative levels, and provision through such means as the "agricultural area" administrative level and special area programs to meet localized needs.
4. A shift from being administered by a public-assistance agency performing a relief function for rural people, with the close cooperation of the agricultural extension service of the several States, to being administered by an agency carrying out primarily an agricultural program with social-welfare objectives, first independent of and then within the U. S. Department of Agriculture.
5. A shift from primary concern with disaster and emergency situations to concern with long-time problems of poverty -- a change which meant a place was made for "habilitation" as well as rehabilitation. With the onset of war, emphasis upon production superseded earlier objectives as the primary concern.
6. The trend was toward a broadened concept of rehabilitation, adding more social objectives to those that were essentially economic and physical, until the wartime program subordinated rehabilitation to war goals.
7. The program was gradually restricted chiefly through legislative action.
8. A change-over from relatively wholesale acceptance of all rural needy classified as a farmer or as a casualty of agriculture to more careful family selection. The trend in selection has been to go up the socio-economic ladder, and particularly to accept progressively fewer from the bottom rungs of the ladder.
9. A shift in the county committee set-up from performing an advisory function, for the most part, except for debt-adjustment activities, to also exercising certain administrative control functions through passing upon the eligibility of applicants and deciding the action to be taken on cases active 3 or more years.

10. There has been a shift from a "minimum subsistence" emphasis to an "adequate" emphasis with respect to levels of living and farm resources. One indicator of this has been the trend toward larger original and total loans. Another has been the wartime encouragement given to low-income farmers who had inadequate resources to use their labor effectively by working on other farms or by moving into nonagricultural jobs on a full or part-time basis.

11. A transition from many advances in kind to the almost exclusive use of direct money loans.

12. A shift from repayments in work, kind, or cash, to cash only.

13. For loans on recoverable-type goods, the repayment plan was shifted from the equal fixed annual installments adopted under the Resettlement Administration to variable annual repayments based upon the planned ability of the borrower to repay and the useful life of the items for which funds were borrowed. At no time, however, has the initial repayment period of loans to individuals been longer than 10 years and loans to associations more than 40 years.

14. The purposes for which grants could be made were broadened from meeting just emergency subsistence needs to purposes which would more directly implement family rehabilitation. Also, instead of being the equivalent to direct relief, provision was made whereby the performance of certain tasks became a general condition of grants to borrowers. Later reduction in funds for the work, however, drastically curtailed the use of grants as a rehabilitation tool.

15. A trend from wholly individual family supervision to use of some group techniques of supervision.

16. The increased support and promotion of group organization and activity as a tool of rehabilitation, until curtailed by a combination of legislation and administrative policy. In the later years there was an increasing recognition of the necessity of organizing such activity from the bottom up as a social process rather than establishing from the top down without regard to the expressed wishes of the families concerned.

17. In 1943 a policy change was made from not setting a fixed time within which rehabilitation had to be accomplished to ordinarily requiring definite evidence of progress within a relatively short time as a condition of further assistance. This was an added pressure to select families from further up the socio-economic scale or else (a) deny the nature of rehabilitation as a social process or (b) anticipate a high rate of failure within the prescribed time.

Program Results

For the Borrowers.— The very existence of the standard loan rural rehabilitation program has meant much to the families who have participated. It offered an opportunity to recoup a lost status, to better one's position, or to be tided over until better times in a field more preferred than agriculture. It held out the hope of achieving the

program's objectives for one's self. It meant the establishment of new relationships, a relationship at one extreme resented as interfering with one's private affairs and at the other welcomed as being protection by "the Government" from hostile forces. To some the end result was fulfillment of all expectations; to other the experience was one more "flop."

The record of achievement by families while they were on the program is incomplete in nearly every respect, being limited to active borrowers for many important items.

By September 1943, 1 borrower in 4 of all those ever receiving a standard loan had already repaid in full. Nearly half were still active. Eleven percent had been dropped as having little hope of rehabilitation in agriculture and as having no prospect of repaying more on their loan. Sixteen percent were "collection only;" that is, able to make further repayments but not rehabilitated in agriculture. Borrowers accepted during the first 2 years, 1935 and 1936, made a poor collection record, on the whole, while those accepted later were on the way to making a better showing. By the end of 1945, under the combined effect of "good times" and the policies regarding collections, 45 percent were paid up in full, 7 percent were "dropped," 22 percent were "collection only," and 26 percent were still active. Since every dollar loaned might be collected and not a family rehabilitated, however, this measure does not reveal much that is fundamental about rehabilitation progress.

Surveys of families after acceptance and while on the program indicate improvement for many in such observed items as health, tenure status, production of food for family use, household facilities and equipment, income, net worth, working capital, land resources, and leasing arrangements. Changes in such significant factors as attitudes, morale, and work habits have not been adequately measured for even active borrowers. What gains were made while on the program by families now paid up, dropped, or "collection only" is largely an open question in the absence of quantitative data except for a few items or for a brief period.

Regions differ as to the gains that have been made. Within regions, the patterns for individual families vary; some have gone forward in all respects, some in certain respects and not in others. How permanent are the gains is an unanswered question. No study has yet been made of what happens to borrowers after they leave the program.

How well the gains of individual families are held depends upon many things, a great many of which are outside their direct control. However, their ability to adjust to changing circumstances without losing their gains will depend basically upon how successfully they have learned to recognize and mobilize the resources resting within themselves and their neighbors.

For the Community and the Nation.— Effects of the program have "spilled over" to influence neighbors and local institutions and organizations. These "spilling over" effects have not been measured, but they can be seen in many forms.

Pressure cookers and live-at-home practices have changed buying habits. Old patterns of lending, buying, and selling have been broken and

replaced by new ones. Sanitary facilities and improved housing of borrowers have been imitated by nonborrowers. Reduced mobility has helped to strengthen local schools and churches. Better farming and land use practices have helped to save soil resources. Group action has given families insight in discussing and meeting their own problems.

The impact of the program upon local communities has undoubtedly varied from one to another, depending upon the number and concentration of families helped, the uniqueness of the basic assumptions and objectives to the thinking in the locality, the resistance to or acceptance of them, and the effectiveness and results of the rehabilitation methods and policies.

Loans and grants which put a floor under the level of living of farm families during hard years also increased their purchasing power, bailed out landlords and other creditors, and helped protect the Nation's manpower resources. Grants, and the portion of the loans which will not be repaid, constitute a form of reallocation of income attached primarily to the person rather than to property. Loan and collection policies during the war years were anti-inflationary. Prewar loan and selection policies placed or retained as farm operators families who without such a program would have been forced out of agriculture or into a lower status. More recently they have operated to force some operators out of agriculture or into a lower status. Improved health has strengthened the Nation's manpower resources. Increased production of war foods has been made possible. Borrowers themselves have not been organized as a group. However, groups have organized, on the one side to oppose the program and its administration, and on the other to defend the program and to articulate the needs of the low-income farmer.

At the end of 1943, 473 million dollars in principal plus 63.5 million dollars interest had been collected on the 801.5 million dollars loaned to individuals not on projects. At that time, dropped borrowers still owed 29.3 million and collection-only borrowers owed 53.2 million dollars. By the end of 1945, repayments on loans to both individuals and groups (excluding corporation trust funds) amounted to 68.5 percent of the principal involved, plus interest equivalent to 9.6 percent of the cumulative principal.

Lessons Learned

Out of this experience has come a number of important lessons. One of those first learned was that rural poverty was not simply a new depression-born or drought-caused phenomenon. Rather it had been growing over a long period and was deeply rooted in a multiplicity of causes. For many families "rehabilitation" was not an apt term because they had never been at a higher level. A corollary of this first lesson is that many of poverty's causes are outside the direct control of the individual or family so handicapped. Another is that a complex of problems — not a single problem — is characteristic of families in need of rehabilitation aid. Therefore a full kit of tools must be available if the problems of the families are to be met.

A second lesson is that the rural meaning of rehabilitation (or habilitation) is the attainment of a cluster of interrelated economic and

social goals. It is not just paying off the loan, just canning so many quarts of food, or just diversifying the farm enterprise, or just reaching any single one of the goals.

Third, one of the most important lessons rests in the understanding that has been gained of the nature of the rehabilitation process. This understanding teaches the need for flexibility in the type and use of rehabilitation tools. It teaches that the speed of the rehabilitation process is conditioned by (a) family characteristics and resources, (b) rehabilitation aids, (c) the culture — especially as expressed by attitudes, social values, class structure, social institutions, and economic and social facilities — within which the relationships of the family and the program are conducted, and (d) more or less impersonal forces outside the control of family or the program agency. Although administrative considerations may compel a time limitation on rehabilitation aid, the most basic type of program would appreciate that for some families the process might extend over more than one-generation span. Understanding of the process also forces consideration of those social, economic, and physical factors which stand as obstacles to real rehabilitation.

A fourth lesson is that loans plus supervision with associated techniques, constitute a "social invention" which can be a powerful instrument for improving the well-being of low-income farm people. A corollary is that rehabilitation is cheaper than relief.

In addition to these summary lessons, several principles have been established concerning the use of specific tools and techniques. These are listed in the detailed discussion.

Questions to Face

Alternative Roles.— In looking ahead a major question which may develop is that of the role to be played by a standard-loan type of rural rehabilitation activity as a national publicly financed program. Three types of roles are suggested by this study. In one role the program would be a positive instrument of social and economic improvement on behalf of the lower-income segment in American agriculture to help this group achieve the family goals that have been held out by the standard program. That there is tremendous need for such a service is indicated by the fact that a substantial number of existing full-time farms are not adequate — as to either size or organization — to provide reasonably efficient use of family labor or to support a healthful and desirable level of living for the operating family. Technological advances and other factors foretell many adjustments to come in agriculture.

In a second role, the program could stand by, ready to help farm families who fall into crisis situations because of depression, flood, drought, or other resource-depleting disasters.

A third possible role might be advanced — that of promoting a subsistence and handicraft rural society. Such a role might find some support but it is contrary to dominant trends and social values expressed in this country. Nevertheless, a depression period might generate strong pressures to emphasize such a role.

Facts to Face.-- Should the program follow the general direction of the first role, certain hard facts must be faced -- for agriculture and for rural society as a whole.

First is the fact that agricultural technology has advanced so fast, in relation to the demand for agricultural products, that foreseeable demand can be met without an increase in farms or farm workers. The problem to be faced is one "of a prospectively abundant food supply that can be produced with a constantly decreasing labor force."

Second is the fact that even though no decrease in the number of farm workers needed were in prospect, nowhere near all farm youth would be needed in agriculture. Two-fifths of those reaching working age during 1940-50 would have no opportunity in agriculture even though the employment possibilities of 1940 were retained. The cost of keeping unneeded youth on the farms under the existing situations is under-employment and lowered levels of living for many.

Third of the facts is that many of the farm operators included in the low-income group on the basis of value of products sold, traded, or used, are not really farmers at all but are essentially rural residents neither producing much in the way of agricultural products nor having much in the way of resources with which to produce; and a substantial proportion of the remainder have units that are inadequate to provide a satisfactory living for the operator from reasonably effective use of his labor. The "rural resident" group is estimated at about 1.2 million "farms." Estimates of "inadequate farms" range up to 3 million. Farm enlargement is basic to making adequate units out of many of those that are now inadequate. But with the amount of land now in inadequate farms, it is clear that the existing state of technology and demand for agricultural products would not permit reorganization into an equal number of family farms.

These three facts mean that any positive program will face tough problems of family selection if any considerable number of families are to be helped. Which low-income farm families should be given the opportunity for assistance? Which should be encouraged to move out of agriculture as a full-time occupation? Which farm families must bear the brunt of agricultural adjustments? What alternative opportunities will be open outside of agriculture?

A fourth fact is that any effective long-range improvement through a rural rehabilitation program is beyond the scope of agriculture alone. Nonfarm jobs are needed to permit the adjustments which would be required in agriculture. A full-employment economy is essential for the constructive work outlined for the first role. Likewise there would have to be supporting measures in education, health, social security, and other fields.

Another fact is that there are localized situations within agriculture and rural life which will severely limit the rehabilitation effort unless they are overcome, such as continued population pressure, land-tenure arrangements, and resistance to change. It is only as the rehabilitation objectives and actions meet the felt needs of the people that such obstacles will be overcome.

Adjustments Needed.- One of the basic adjustments that must be made if there is to be an aggressive program for improving the welfare of the low-income segment in American agriculture is to revamp thinking in line with the realities of the agricultural set-up we now have, and that which appears desirable in view of the outlook for technological progress and demand for agricultural products. It means clarifying what is meant by a "farm" and a "farmer." For instance, how many of the 1,634,111 units with a total value of products sold, traded, or used, of less than \$600 in 1939 and having family use of products as the major source of farm income should be considered "farms" operated by "farmers"? How many of the 1,137,415 tracts with less than \$600 worth of products and without one horse or mule or tractor should be considered as "farms" in formulating agricultural policy? How many of the 953,000 farm operators in 1940 who did not report their occupation as farmer or farm manager should be included as farmers for program-building purposes?

Another adjustment called for is a clarification of the relation of the part-time farmer and the rural resident to agricultural programs and national agricultural policies.

If the policies and measures envisaged by the first role are adopted, what type of transitional assistance, if any, should be provided needy families who are ineligible for help because they are considered outside of agriculture, or who are not selected for help in agriculture? For those families who because of age or physical handicaps could not be expected to be self-supporting, should public-welfare assistance be modified to include some elements of the rehabilitation approach?

Where the Roles Would Lead.- It should be recognized that a program for the lower income farm population along the lines of the first role would be definitely moving away from the "subsistence" or "self-sufficient" type of farm economy and rural life. It would be going in the direction of making the welfare of the individual farmer increasingly dependent upon what happens beyond his own line fence. Unless accompanied by certainty of nonfarm employment or compensating measures, many families would lose the limited security provided by even inadequate units.

On the other hand, the second role would be nothing but a stop-gap. It would not permanently improve the opportunities of farm people. Adoption of the third role is contrary to the direction in which modern agricultural technology is moving. Further, its success would require a complete revamping of the value system of our society.

A depression situation would be a serious problem to a program moving in the direction outlined for the first role.

Beyond the borders of the United States, it may be seen that great numbers of the world's farmers are chained by poverty. World War II has depleted the resources of many. It appears that many of the lessons from this Nation's experience with rural rehabilitation may be fruitfully applied in rural reconstruction abroad, in keeping with local problems and local needs, and in harmony with democratic ideals.

CHAPTER I

INTRODUCTION *

Rural rehabilitation as experienced and demonstrated in the United States since 1934 is an instrument for improving the welfare of farm people which merits considered attention. Such consideration is particularly pertinent for a postwar world dedicated to bettering human welfare.

Programs of rural rehabilitation are of direct concern as a matter of national agricultural policy. But they also have many implications for all policies designed to promote the general welfare through measures such as providing employment and social security, increasing national income, and raising the level of living. Broad issues such as the relation of government and people and the means of democratically realizing the benefits of technology are soon seen to be involved. So are complex social problems, such as population growth and the distribution of population. In its broadest aspects, an analysis of rural rehabilitation must lead inevitably to consideration of the society in which the program operates -- its social organization, social processes, and major social values.

Conceived in crisis to perform an emergency function of rescuing people from conditions that led to relief so as to restore them to self-support, public rural rehabilitation programs achieved a relative permanence as rural poverty came to be viewed as a widespread, deep-rooted, and long-standing problem to which the Federal Government should address itself. Since the initiation on April 1, 1934 of the first Federally-supported program of rural rehabilitation the Nation has moved from depression to prosperity, from peace to war. In a sense, the war marked the close of one epoch in public rural rehabilitation.

During the years since 1934, there have been a number of studies of rural rehabilitation needs and programs. The administering agencies have reported on their own activities. They have made some self-critical analyses. However, these studies have had certain limitations as to scope, as to period of time, or as to area covered. The Bureau of Agricultural Economics with the aid of WPA funds started a comprehensive statistical study late in 1939, of standard rehabilitation loan borrowers accepted during 1936-39. Wartime adjustments in Bureau activities prevented preparation of the summary report for this study. In the spring of 1943, representatives of the Farm Security Administration requested the Bureau of Agricultural Economics to analyze the accumulated experience with the standard rural rehabilitation loan program.

Purpose and Scope of Report.-- The major purposes of this report are (1) to record the significant experience accumulated in the United States in conducting rehabilitation "in place" through the standard rural rehabilitation loan program and (2) to evaluate this experience in terms that would be useful for any continuing or new programs. Evaluation involves (1) stating the basic lessons that have been learned with respect to the principles and the tools and techniques of rural rehabilitation

* Prepared by Olaf F. Larson in the Bureau of Agricultural Economics, U. S. Department of Agriculture (when this report was written).

and (2) attempting to state and clarify the major issues involved in rural rehabilitation from the standpoint of public policy. Because this program offers many suggestions for measures of rural reconstruction in other countries, administrative procedures and some of the techniques are treated in more detail than would otherwise be necessary.

This is not a study of the administration of the Farm Security Administration and its predecessors. For convenience in analysis, however, in several chapters developments in policy and procedure are traced according to each of the three successive administrative agencies: (1) State rural rehabilitation corporations of the Federal Emergency Relief Administration, (2) the Resettlement Administration, and (3) the Farm Security Administration. The Federal Emergency Relief Administration is included because it initiated the activities that grew into the standard loan program. The study does not encompass the activities of these agencies which are not primarily connected with assistance to standard loan borrowers. Hence it omits any analysis of submarginal land purchase, resettlement projects, the tenant-purchase program (farm ownership), the migratory labor camps, the Wheeler-Case reclamation program, flood restoration loans, and special wartime jobs such as relocation of families displaced by defense industries and war camps, defense housing, farm-labor supply units, Japanese evacuation, and dairy-animal conservation. As measured by people or money or geography, however, the standard loan program has been the major activity of these agencies and therefore has also been the major rehabilitation program.

Analysis in this report is necessarily limited to the over-all national picture, with some attention to broad area differences as represented by administrative regions although it is recognized that there have been infinite variations among the regions, among States within regions, and among districts and counties within States. Although much of the statistical data has been compiled on a State basis, and some on a county basis, it has not been possible generally to give data, in the report, for areas smaller than regions. With a few exceptions, which are noted, national totals do not include Region XIII comprised of Puerto Rico and the Virgin Islands. Likewise much of the data for Region IX excludes Hawaii and for Region XI excludes Alaska.

Although no uniform cut-off date has been possible for the statistical data and most of the statistics carry into 1943 or 1944 the major emphasis of description and analysis is upon the prewar program. War-induced changes are indicated briefly but it has not been considered essential for the purposes of this report to bring the statistics up to the date of publication.

In Part I the historical development of rural rehabilitation is traced, objectives are stated, and the administrative structure is outlined. Part II relates selection policies, shows the number and the distribution of families reached, and describes the characteristics and resources of rehabilitation families. Tools and techniques are discussed in Part III. Included are loans, grants, supervision, group and cooperative activities of a wide variety, debt adjustment, tenure improvement, and special programs carried on in limited areas or for a short time as experiments, or to meet localized problems. Finally, in Part IV, the

progress of families aided by the standard loan program is reviewed, the rehabilitation process is analyzed, and some conclusions are drawn.

Procedure.-- In a sense, this report represents a summary of the research in the field of low-income rural families and rehabilitation which has been carried on by the Bureau of Agricultural Economics for several years. It is based in part on an unpublished BAE study, made with the assistance of a WPA project, 1/ of 39,295 standard rural rehabilitation loan borrowers, distributed among the 12 continental Farm Security Administration regions and covering borrowers accepted during the period March 1, 1936-February 28, 1939. 2/ Other studies by the BAE and State agricultural experiment stations are freely drawn upon. 3/ Free access has been had at all times to information in files of the FSA. Part of the statistical data supplied by the FSA was already available in finance records, from published summaries of the annual family progress reports of rural rehabilitation borrowers for the years 1937-1943, 4/ and from periodic and special reports. But many special tabulations and compilations were made by FSA personnel in accordance with BAE requests. Procedural material of the FSA and predecessors, congressional hearings, interviews, and field observations at all administrative levels over several years were used to supplement and interpret the statistics.

Limitations.-- Obstacles were encountered in making this study which inevitably circumscribed its scope and adequateness.

The first of these obstacles rests in certain inadequacies of available statistics. The most serious follow.

1. It is absolutely impossible to follow the year-by-year progress of standard loan borrowers. The annual family progress reports started by the FSA have usually been restricted to a sample of active borrowers. The BAE study for 1936-39 had an "after acceptance" record for items other than loans and grants for only 61 percent of the borrowers receiving their first loan during 1936-37, and this record was for a period varying from 1 to 3 crop years after the first loan.

2. Data on programs auxiliary to the standard loan program -- such as grants and debt adjustment -- are not always reported to permit separation for other types of borrowers or for nonborrowers; thus a complete picture of the rehabilitation activities for standard loan families is impossible.

1/ WPA Federal Project O. P. No. ol-2-00-441 and 101-2-00-3. The Farm Security Administration, U. S. Department of Agriculture, was given the major findings in 23 memoranda and 12 regional reports, all for administrative use.

2/ See Appendix B for an outline of the methodology used in this study.

3/ For a list of such studies see Rehabilitation of Low-Income Farmers, compiled by John M. McNeill, Library List no. 6, U. S. Department of Agriculture Library, Washington, August 1943.

4/ See Appendix B.

3. Fiscal data kept for accounting purposes often has not been convertible to meet the specific needs of this study. It would be a prohibitive task to recompile some of the information that would be valuable for analysis of the standard loan program. Fiscal data for the early years, especially during the period of the State rural rehabilitation corporations, are especially inadequate for analytical purposes.

A second obstacle lies in the fact that certain aspects of the program, for example, supervision, tenure improvement, many forms of cooperative activity, Negro communities, and special areas — have not been studied adequately as of the present time. In some such instances the particular activity has been discontinued, the personnel acquainted with such activities are widely dispersed, and the files of FSA contain little if any information. In such cases, the decision has been to tell what is known rather than taking time for further research, although realizing that such a procedure gives little basis for evaluation.

Another obstacle is whatever is inherent in any effort of one government agency to critically analyze another. It is hoped that part of this difficulty has been overcome by focusing attention upon the program administered rather than upon the agency administering.

Neither more time nor increased research personnel can now overcome some of these limitations.

PART I. RURAL REHABILITATION PROGRAM DEVELOPMENT

CHAPTER 2

GENESIS OF THE RURAL REHABILITATION IDEA*

The Idea Defined.-- April 1934 marked the formal beginning of a Federally supported rural rehabilitation program, out of which the standard loan activities soon developed. Shortly after the first program was started, rural rehabilitation was defined by the administering agency as "helping economically stranded persons to establish themselves in rural areas on a self-sustaining basis. The help may be either financial or advisory but will usually be both." ^{1/} The combination of financial aid -- through loans -- with advisory assistance in farm and home management has continued to constitute the unique feature of rural rehabilitation. This feature plus rehabilitation in place, that is, without resettlement, serves to characterize the standard loan program.

The credit aspects distinguished rural rehabilitation from the various public-assistance programs. The advisory aid differentiated it from previous forms of public credit. The high-risk nature of the loans has also been a continuing special characteristic of standard and other rehabilitation loans, as private and other public credit are presumed to be unavailable to the borrowers.

Causes.-- The immediate cause for developing a publicly supported rural rehabilitation program was the fact that great numbers of farmers were on public relief financed by the Federal Government. Pressure was great for action. The very fact that there was a Federally supported public assistance program was in itself a new development just as the spectacle of farmers on relief seemed to be new. However, special Federal aids to farmers as a group, and even to special groups of farmers, were not new, as illustrated particularly by previous credit programs. Although first designed to perform a relief function within a public-assistance framework, rural rehabilitation -- because it was concerned with farmers and farms -- also directly involved national agricultural programs. This early operation within a relief framework created numerous problems for the program in its later phases.

Since rural rehabilitation was invented as a public-assistance program, but is also an agricultural program, its origin must be related to historical developments in both public assistance and agricultural policy to understand which features are unique and which have some historical precedent. These developments reflect some but not all of the causes

* Prepared by Olaf F. Larson, Bureau of Agricultural Economics, U. S. Department of Agriculture.
^{1/} Rural Rehabilitation, vol. 1, no. 1, November 15, 1934, p. 5.

that resulted in farmers on relief. These causes will merely be mentioned in this report, for they have been treated fully elsewhere. 2/

Measures in the Past to Aid Distressed Farmers

Public Assistance Developments.- As early as the 19th century Congress established the principle of aid to citizens made destitute by calamities such as flood, fire, and earthquakes 3/ but it was not until 1932 that the principle of Federal aid because of unemployment was adopted. In 1933 the Federal Government accepted aid to the unemployed as one of its functions. In first accepting this function, no differentiation was made between relief to the needy farmer and aid to the unemployed worker; the farmer was given the same help as an unemployed worker.

Traditionally, the farmer has been thought of as independent and self-sustaining. Distress was customarily absorbed by kinfolk, the community, the local church group. However, recognition that the needy have a right to public aid is more than three centuries old among English-speaking people. The philosophy which paralleled this aid was that needy persons were suffering from a weakness or vice. The needy were an object of social castigation. Such public poor relief as there was until about 1929 was intended primarily for destitute unemployables.

The liberal land policy of the United States which brought rapid settlement of the public domain was in itself a form of public relief. Hard-pressed farmers in the East could move West, take up new land, and get a fresh start. Near the close of the depression of 1873 three bills introduced into Congress proposed back-to-the-land solutions for industrial unemployment. 4/ But as land settlement moved out into the "Great American Desert" man and land sometimes were poorly adjusted. Calls for help began to be heard from the settlers in times of catastrophe caused particularly by drought and grasshoppers. In these times farmers not only did accept relief from outside their own community but asked for help from their local and State governments.

2/ See especially Carl C. Taylor, Helen W. Wheeler, and E. L. Kirkpatrick, Disadvantaged Classes in American Agriculture, Farm Security Administration and Bureau of Agricultural Economics, U. S. Department of Agriculture Social Research Report No. VIII, Washington, D. C., April 1938; T. J. Wooster, Jr., and Ellen Winston, Seven Lean Years, University of North Carolina Press, Chapel Hill, 1939, which is nontechnical summary of research monographs of the Division of Social Research of the Works Progress Administration; and Farmers in a Changing World, The Year-book of Agriculture 1940, U. S. Dept. of Agr., Washington, D. C.

3/ Federal Aid for Unemployment Relief, hearings before a subcommittee of the Committee on Manufacturers, U. S. Senate, 72nd Congress, S. 5125, February 2, 3, 1933, cited by Arthur E. Burns, "Federal Financing of Emergency Relief," Monthly Report of the Federal Emergency Relief Administration, February 1 through February 29, 1936, pp. 1-17.

4/ Russell Lord and Paul H. Johnstone, ed., A Place on Earth, a critical appraisal of Subsistence Homesteads, Bureau of Agricultural Economics, U. S. Department of Agriculture, Washington, D. C., 1942, p. 5.

For example, as a result of the drought of 1889-90, a citizens' committee in Kit Carson County, Colo., distributed food, clothing, and coal donated as a result of appeals to businessmen and citizens of Colorado Springs. 5/ Throughout eastern Colorado drought-stricken farmers demanded the donation of seed grain by the State legislature. The winters following the dry years of 1893 and 1894 brought the launching of a charity drive in Denver and other communities in behalf of the drought sufferers of eastern Colorado. This time in Kit Carson County the ministers distributed the material. Again seed wheat was provided free, this time by the county commissioners.

In Haskell County, Kans. -- a county which later came to be known as part of the Dust Bowl -- the drought of the late eighties resulted in the Board of County Commissioners distributing flour and giving direct relief for groceries and the purchase of seed. 6/ By authority of the State legislature, cash payments were made to farmers for breaking sod on their own land. Also as an assistance measure, roads were established on each section line and damages were allowed the landowners.

The Colorado and Kansas stories were repeated elsewhere but always the immediate cause was crop failure from some "Act of God." Relief was temporary, locally administered, as much private as public. In no sense was there a real rural relief program. This is not to say there were no poor farm families during all the years until the 1930's. There were -- but no social machinery was developed to discover rural poverty or to care for it. As relatively self-sufficient farming declined, farmers became increasingly dependent upon a cash income. When the general economic depression hit in 1929, farmers reeled under an impact they had never before experienced. Loss of cash income to farmers was, for the first time, roughly equivalent to loss of job for the city worker. In 1929 the time had long passed when a farmer could get a new start by pulling stakes and "Going West." Many, of course, did go West, following the old pattern, but became "Okies" rather than revered pioneers. When the depression broke in 1929, public-assistance programs did not distinguish a needy farmer from any other needy individual. Such programs were predicated on the poor-law philosophy of Elizabethan England, were locally administered, and largely locally financed.

The first break in the traditional pattern came when 4 States -- Connecticut, Maine, New Hampshire, and Oklahoma -- in the fiscal year 1931 contributed funds for the relief of the unemployed. Oklahoma's expenditures were necessitated because of nature's destruction of crops. During the fiscal year 1932, 11 States, and during the fiscal year 1933, 26 States, assumed financial responsibility for unemployment relief. 7/

5/ Robert G. Dunbar, "Agricultural Adjustments in Eastern Colorado in the Eighteen-Nineties," Agricultural History, 18:41-52, Jan. 1944.

6/ A. D. Edwards, Influence of Drought and Depression on a Rural Community, A Case Study in Haskell County, Kansas, Farm Security Administration and Bureau of Agricultural Economics, U. S. Department of Agriculture, Social Research Report No. VII, Washington, D. C. Jan. 1939.

7/ L. Laszloeker-r, "Sources of State Emergency Relief Funds," Monthly Report of the Federal Emergency Relief Administration, July 1 through July 31, 1935, pp. 61-73.

This departure from local responsibility for unemployment relief was brought about by the inability of local governments and private sources to meet unemployment relief needs adequately.

Federal assistance for more than a localized area first came in the early part of 1932 when Congress provided for the distribution of Government-owned wheat and cotton, held by the Grain and Cotton Stabilization Corporations of the Federal Farm Board, through the American Red Cross. 8/ This aid was prompted by widespread drought beginning in 1930 which, in conjunction with unemployment, had severely taxed private agency resources. Commodities were distributed to destitute unemployed as well as to drought victims. The 85,000,000 bushels of wheat was distributed as flour to 3,803,000 "needy and distressed" families located in all but 17 of the Nation's counties and as live-stock feed to 184,000 farmers. The 844,063 bales of cotton were made into cloth, garments and bedding distributed to 5,879,000 families.

The principle of Federal financial aid for unemployment relief was established by passage on July 21, 1932 of the Emergency Relief and Construction Act of 1932 which authorized the Reconstruction Finance Corporation, organized February 2, 1932, to loan funds to the States at 3 percent interest for relief and work relief. These funds were to be deducted from future highway grants to the States, or to be repaid. Such loans were made to 44 States and territories. Later most of the advances were written off by Congressional action. With passage on May 12, 1933 of the Federal Emergency Relief Act of 1933 (48 Stat. 55), unemployment relief became a function and a responsibility of the Federal Government. When the Federal Emergency Relief Administrator took office on May 22, 1933 officials of the Reconstruction Finance Corporation estimated 4,000,000 families were receiving relief from public funds.

It was clearly the intent of Congress that the Federal Government should not provide all of the funds to meet the relief needs of the Nation, for half of the \$500,000,000 made available by the Reconstruction Finance Corporation to the Federal Emergency Relief Administration was available to the States on a matching basis -- 1 dollar of Federal for each 3 dollars of State and local monies -- while the other half was a discretionary fund from which the FERA administrator could make grants to States whose relief needs were so great and/or whose financial resources were so depleted that the matching principal had to be disregarded. Later appropriations for emergency relief discontinued the requirement that Federal funds be matched in a definite ratio. Of the total of \$3,067,612,528 granted by FERA to the States and territories to relieve "hardship and suffering caused by unemployment" from the first grant in

8/ Authorized by Acts of Congress, March 7 and July 5, 1932 and February 8, 1933. The Red Cross was founded in 1881. In the Mississippi flood of 1927, rehabilitation aid was given more than 120,000 families. From August 1930, to June 1931, aid was given 2,765,000 persons by the Red Cross in the 1,057 counties affected by the drought beginning in 1930. See The Distribution of Government-Owned Wheat and Cotton, official report by the American Red Cross covering the disposal of surplus commodities in aid of people in distress -- as authorized by Congress 1932-33. Washington, D. C. June 1934.

May 1933 through the last grant in June 1936 only \$199,808,344 was on a matching basis and all these matching grants had been made by the end of 1933. 9/ As a general rule, throughout the history of the FERA, the concept of local responsibility for relief was retained. Federal grants to the State emergency relief administrations were reallocated by the States, with State funds, to the political subdivisions and actual authorization of relief to persons on relief rolls was made by local relief organizations. The Federal Government did not precisely prescribe eligibility for relief and only generally prescribed standards of relief -- calling for distribution "on the basis of budgetary deficiency established after careful investigation."

As the FERA program got under way in the last half of 1933, needs were so pressing and of such magnitude that "Since adequate consideration could not be given to specific needs caused by varying conditions, aid was granted to distressed farm and unemployed city residents on a similar basis." 10/

From the first, however, calls from farmers for help from FERA indicated the need for a distinct type of aid. In the meantime, during the preceding score of years, Federal agricultural programs were being developed which increasingly had the effect -- or at least took the place -- of direct relief measures.

Agricultural Program Developments of an Emergency Relief Nature.-- Aside from land settlement and reclamation, Federal agricultural policy in the years before World War I were concentrated mainly on research and education which was calculated to make production more efficient, with some attention to cheaper transportation and better credit to give agriculture a more favorable place in the Nation's economy. 11/ The cooperative movement was approved in 1914. With passage of the Federal Farm Loan Act in 1916 the Federal Government entered the farm credit field.

The story of expanded food production, increased farm income, rising land values, increased farm-mortgage indebtedness during World War I, followed by agricultural collapse, is now familiar. There resulted a growing pressure for farm relief. The first feeble measures were proposed which preceded the flood of Federal action which started with the Agricultural Adjustment Act of 1933. The story of this period is well-known and has been ably told. 12/

There is little indication that the distribution of income and allocation of resources among various groups of farm population was given much attention in the 1920's. It was generally assumed that all farmers would be

9/ Monthly Report of the Federal Emergency Relief Administration, June 1 through June 30, 1936, p. 180.

10/ E. L. Kirkpatrick, Analysis of 70,000 Rural Rehabilitation Families, Farm Security Administration and Bureau of Agricultural Economics, U. S. Department of Agriculture Social Research Report No. IX, Washington, D. C., 1938, p. 1.

11/ See Everett E. Edwards, "American Agriculture -- The First 300 Years" in Farmers in a Changing World, pp. 171-276., op.cit.

12/ See Chester C. Davis, "The Development of Agricultural Policy Since the End of the World War" in Farmers in a Changing World, pp. 297-326, op.cit.

pretty well off if agriculture as a whole had the benefit of fair prices, a just share of the national income, more favorable credit, and more of the consumer's dollar, through such measures as cooperative marketing and lower freight rates. Not until the results of the 1930 U. S. Census of Agriculture were available was it known that in 1929 nearly half of the Nation's farms produced less than \$1,000 worth of products and that this half accounted for only about 11 percent of the production put upon the market. Apparently not until millions of farm people were on relief and a rehabilitation program was under way did the significance of these statistics begin to penetrate into the thinking about agricultural policy.

The Agricultural Adjustment Act, the Emergency Farm Mortgage Act of 1933, the establishment of the Farm Credit Administration in 1933 and the establishment of production credit associations in 1933 were all designed to bring economic relief to agriculture and were part and parcel of the new activities of the Federal Government of which the Federal Emergency Relief Administration was also symbolic. Benefit payments under the AAA and refinancing of farm indebtedness under the FCA gave help to many farmers so they did not fall to the point of needing direct relief.

Most akin among the agricultural programs to later developments in rehabilitation were the Federal feed and seed loans. The first of these was made in the fall of 1918 when the President of the United States put a fund at the joint disposal of the U. S. Treasury Department and the U. S. Department of Agriculture for use in the Northwest and Southwest wheat areas where two successive crop failures had resulted from drought and winter killing. ^{13/} This was in effect a war measure, for the object of the fund was "to assist in tiding the farmers over the period of distress, to enable them to remain on their farms, to plant such an acreage as may be determined to be wise under all the conditions with a view to increasing the food supply of the nation and to add to the national security and defense." These loans were administered by the Federal Land Banks. In Montana and North Dakota the 1919 crop was a failure. Farmers then demanded cancellation of their loans. The next year Congress released from payment those borrowers whose average yields had been less than 5 bushels per acre.

Congress made the first special appropriation for seed loans in 1921 and again as a temporary expedient to meet an emergency in 1922, 1924, 1926, and each year during the period 1929-37. In 1938 an Act of the previous year was construed as establishing permanent authorization for making crop and feed loans. ^{14/} Loans under the appropriations made from 1921 through 1932 numbered 1,067,699 and totaled \$135,170,303. Loans from

^{13/} This summary of the emergency seed and feed loans is based largely on Norman J. Wall, Federal Seed-loan Financing and its Relations to Agricultural Rehabilitation and Land Use, U. S. Dept. of Agr. Tech. Bul. 539 1936.

^{14/} Farm Credit Administration. Information Prepared in Connection with Investigation of the Activities of the Farm Credit Administration by Select Committee of the House Committee on Agriculture, pursuant to H. Res. 119, 78th Cong., 1st Sess., as amended by H. Res. 525, 78th Cong., 2nd Sess., Sept. 1944, Part VII, p. 1.

the 1933 appropriation numbered 633,586 and totaled \$57,375,940. The number of States included in the Federal seed-loan program gradually expanded and the purposes for which such loans could be made were broadened.

The earlier appropriations were available only to limited areas within a very few States, and the granting of Federal financial assistance through seed loans, prior to 1932, was predicated upon some climatic disturbance such as drought, storm or hail. With the exception of three loan appropriations those of 1924, 1926 and 1929 -- need for Federal loans was based on drought conditions. In the three years mentioned the basis was hail, flood or storm. Loans were granted originally only for the purpose of purchasing seed and, in the Southern States, fertilizers. The purpose was gradually expanded to include feed for work stock and fuel and oil for tractors used for crop production.

In 1931 funds were authorized in three separate acts and a further expansion was made in the purposes for which loans were made to include miscellaneous needs under the heading of 'general rehabilitation' and to purchase feed for live-stock. The year 1931 was the first year that loan funds were made available over an extensive area, a development due to the widespread drought of 1930.

In 1932 the amounts of loan appropriations were greatly enlarged in comparison with previous appropriations. In that year a departure from the previous policy of limiting Federal loans to farmers in those areas that had been affected by an unusual climatic disturbance, was effected. Authority was given to the Secretary of Agriculture to make loans 'where he finds that an emergency exists as the result of which farmers are unable to obtain loans for crop production.' 15/

Seed-loans were consistently temporary measures to meet a current credit emergency, not a conscious endeavor to effect a permanent improvement in the economic status or human welfare of chronic borrowers. 16/ A feature somewhat akin to the farm and home planning procedures later developed in the rural rehabilitation program was the checking, beginning in 1930, of the cropping program of applicants for loans. At least in later years, the applicant agreed "to plant a garden for home use and a sufficient acreage of feed to supply feed for my livestock." Likewise, as with the rehabilitation program, local committees assisted the Federal agent and recommended that the loan be granted. In all cases, the borrower had to state his inability to obtain credit elsewhere and that he could not finance his cropping operations without the loan. He had to have the necessary horse or other power and equipment.

15/ Wall, op.cit., p. 4.

16/ Beginning in 1933, however, granting of seed loans was conditional upon cooperation with acreage reduction and other Federal crop-production-control measures.

Continued substantial demand for seed-loans, particularly in the cotton-growing States, even after the establishment of production credit associations in 1933 and improved credit resources by country banks, indicated a group of farmers with special credit problems. Three general types of borrowers used this emergency financing for crop production: (1) Farmers who had adequate security but who could not obtain necessary financing beginning in 1932 because of the drastic curtailment or elimination of usual sources of credit, (2) farmers who had inadequate security because of temporary impairment of resources due to drought, hail, flood, etc., and (3) farmers whose land or type of farming did not provide returns sufficient to build up resources as a basis for obtaining loans from usual commercial sources.

Although the purpose of seed loans was primarily to assist the second group, it appears that farmers in the third group were consistent borrowers from the seed-loan fund. This third group of borrowers came well within the scope of the later rehabilitation program. However, the rehabilitation program also was concerned with many of the second group as their resources were depleted by years of adverse weather. The seed-loan program was continued at the same time the rural rehabilitation program was developed. The dividing line between which farmers should be financed by emergency seed loans because of climatic conditions and those which should be financed by rehabilitation loans has been a matter of administrative determination.

It is clear that although the rehabilitation program began within a public-assistance framework, many of the farmers it was designed to help had previously been aided on an emergency credit basis with a relief effect through the seed and feed loan program.

Suspension of 4,000 banks between the end of 1929 and the middle of 1932 and drastic declines in deposits of the remaining banks greatly curtailed the sources of credit to farmers and, before the general revamping and extension of Federal credit in 1933, led to the establishment of the regional agricultural credit corporations to make loans directly to farmers and stockmen for agricultural purposes. ^{17/} Lending operations were confined to a short period, from October 1932 to April 1934; then the establishment of production credit associations eliminated the need for continuing the regional credit corporations. ^{18/} The congressional authorization specified the loan should be "fully and adequately secured." While providing credit not otherwise available because of general economic crisis, it is evident that -- unlike the seed loans -- the RACC loans had relatively little relief effect.

The farm-debt adjustment work started in 1933 and carried on under the general guidance of the Farm Credit Administration until transferred to the Resettlement Administration gave financial relief to farmers by reducing and modifying indebtedness (see Chap. 13).

^{17/} For discussion of the regional agricultural credit corporations see Wall, op.cit., pp. 52-53.

^{18/} In 1943 the RACC loaning activities were resumed and rapidly expanded to provide credit for war food production.

A new program which linked public assistance on the one hand and the improvement of agricultural conditions on the other was that of the Federal Surplus Relief Corporation (later the Federal Surplus Commodities Corporation). This non-profit organization was incorporated October 4, 1933: (1) "To assist in relieving the existing national emergency by the purchase, processing, and distribution for consumption of agricultural and other products as a means to remove surpluses and improve price" and, (2) "to apply these surplus agricultural and other products in the form of foodstuffs, clothing, fuel and otherwise to the relief of hardship and suffering caused by unemployment."

The corporation had no funds appropriated to itself but operated in close cooperation with the Federal Emergency Relief Administration and the Agricultural Adjustment Administration, from both of which funds were received. ^{19/} The actual distribution of surplus commodities to relief clients was a State responsibility. The policy of the FERA was that all such commodities were to be given on an "over-and-above" basis, that is, distributed to relief cases in addition to aid given on a budgetary deficiency basis. ^{20/} The purpose of this policy was to raise the level of living of people on relief and to prevent the competition of surplus commodities with commodities entering customary business channels. It was also a policy that all commodities distributed through the FSRC would be "surplus" as administratively defined.

The first commodity handled by the corporation was salt pork taken over from the AAA and which it had acquired as a result of the publicized "killing little pigs" program. Local purchases were frequently made to help in keeping or removing farmers from relief rolls (also see Chap. 13). Purchases came to include a wide variety of products. This increased farmers incomes by offering a market and by the price-supporting effect of the Federal Government's buying. It helped farmers on relief by providing food, clothing, and bedding "over and above" the relief budget and by providing livestock feed.

This surplus-commodity program, like the emergency seed loan and the debt-adjustment programs, continued side by side with the rehabilitation program when it was started.

The Birth of Rehabilitation

As urban unemployment spread after 1929, movement of people from farms to cities dropped off and various forms of back-to-the-land movements began to be promoted for a variety of reasons. ^{21/} A development in 1931 at Greenville, S. C., bore some resemblance to what later developed in rural rehabilitation. Robert W. Hudgens, then an investment banker who was

^{19/} "Report of Federal Surplus Relief Corporation," Monthly Report of the Federal Emergency Relief Administration, Dec. 1 to Dec. 31, 1933, pp. 39-45.

^{20/} "The Federal Surplus Relief Corporation," Monthly Report of the Federal Emergency Relief Administration, July 1 through July 31, 1935, pp. 17-30.

^{21/} Lord and Johnstone, ed. op.cit., pp. 11-23. R. W. Murchie, Land Settlement as a Relief Measure, Univ. of Minnesota Press, Minneapolis, May 1933.

later a high official in the rehabilitation program, and who for many years had been an official of the local chapter of the American Red Cross, had the idea that a way should be found of getting idle land and unemployed people together. Through a \$5,000 fund from the American Red Cross, 42 Greenville unemployed ex-farm families were re-established on nearby farms as individual full-time farmers. The families were provided with grants, credit, and some supervision. This was perhaps the first program along the general lines later adopted by FERA and its successors. It involved resettlement rather than rehabilitation "in place."

The standard rural rehabilitation loan program was developed under the Resettlement Administration directly out of the experience of the Federal Emergency Relief Administration. In the first months of the FERA no attempt was made to separate farmers from other categories of the needy, although among the first regulations issued was provision that feed for livestock "may be allowed as a relief expenditure where such allowance makes it possible for the distressed family to produce additional food for the immediate family need. Seed for gardens under the same reasoning may likewise be allowed as a relief measure." 22/

Among the very first calls for assistance to farmers were the needs for fertilizer, seeds, feed, and even subsistence goods, caused by the severe drought of the Southwest and the Central Great Plains region. Next came the demands for work as well as direct aid from the poorer farming sections like the Lakes States Cut-Over and the Appalachian Highlands as means of getting many disadvantaged families through the winter. Finally, there were requests for capital -- loans at reasonable rates -- whereby numerous farmers could in a constructive way get back on a self-supporting basis. Even people in the most productive agricultural areas were ready for this kind of assistance. 23/

While the Civil Works program was in operation (Nov. 9, 1933 to the end of March 1934) a good many farmers were reported to have moved into nearby towns as an aid to getting jobs under this program. 24/ When spring came many preferred to remain on the relief rolls rather than resume farming with the difficulties of financing another year's operations and the prospect of another year of low returns for their labor.

Soon after the FERA began to function the first pleas for help as a result of drought came in from the Southwest Panhandle. As the drought continued and the drought area spread, the volume of calls for assistance to farmers increased. On September 12, 1933 a special drought program was started with the FERA, the FCA and the Federal Emergency Relief Administration of Public Works cooperating. 25/ The Federal Surplus Relief Corporation,

22/ Monthly Report of the Federal Emergency Relief Administration, May 22 through June 30, 1933, p. 13.

23/ Kirkpatrick, op. cit., p. 1

24/ Paul V. Maris, "Origin and Development of the Farm Security Program," a paper presented at Raleigh, N. Car., to the Regional Staff of the FSA, March 8, 1940.

25/ Monthly Report of the Federal Emergency Relief Administration, Dec. 1 to Dec. 31, 1933, pp. 8-9; Nov. 1 through Nov. 30, 1935, pp. 11-23.

when chartered, also cooperated. If the Regional Agricultural Credit Corporation could not extend credit of at least \$250 to a family, the application was turned over to the FERA and the family treated as an applicant for relief to be furnished personal subsistence, feed for livestock required for use of the families themselves, and seed for planting. Work relief, chiefly on roads, was provided instead of direct relief whenever possible. The special drought program and the FERA's co-operation with it, continued for several years.

As early as July, after the organization of the FERA in May, 1933, "a study of the need for, and effect of relief in rural areas" was inaugurated. By November, to supplement the data supplied by the Nation-wide Unemployment Relief Census of October, 1933, more intensive surveys of rural relief households were begun in cooperation with State agricultural experiment stations and universities. Rural sociologist E. L. Kirkpatrick joined the FERA staff in August 1933 as Rural Relief Adviser and a group of rural sociologists were brought in to carry on research to aid administration of the relief program and to portray the rural situation. 26/

By January 1934 the results of the October 1933 census were available to show that during the latter month about 1,155,000 families residing in rural areas (places of less than 2,500 population and the open country) had received public unemployment relief. 27/ These represented more than one-third of all families on relief and in 19 States more than half of the relief families were rural. However, except for 7 States, including drought-stricken North and South Dakota, the proportion of urban families receiving relief in urban areas exceeded the proportion of rural families receiving relief. This fact could well have suggested to relief administrators that the country still retained a margin of security over the city, despite drought and economic adversity.

While farmers continued to come on the relief rolls and as the surveys began to tell the magnitude and characteristics of the rural relief problem, a few States started in 1933 to experiment with techniques to meet the peculiar problems of farmers on relief. In North Carolina, the "live-at-home" program fostered by the Governor of the State was included in a plan presented for the rehabilitation of tenant farmers on self-liquidating cooperative farms. 28/ Alabama and Texas especially attracted attention as they began to loan farmers the tools and livestock they needed to make a living on the land rather than giving direct or work relief. Garden and canning programs were given wide encouragement throughout the country.

The FERA Administrators were convinced that farmers needed a type of aid quite different from that extended other worthy families. Mr. Hopkins

26/ S. H. Hobbs, Jr., Irene Link, and Ellen Winston, Plan for Cooperative Rural Research, Works Progress Administration, Division of Social Research, Series II, No. 17, Washington, D. C., 1938, p. 6.

27/ Monthly Report of the Federal Emergency Relief Administration, Jan. 1. to Jan. 31, 1934, p. 8.

28/ Pioneering in Rural Rehabilitation in North Carolina, edited by Walter A. Cutter, The North Carolina Emergency Relief Administration, Raleigh, 1935, pp. 7-11.

called Colonel Lawrence Westbrook, Relief Administrator for Texas, into Washington about March 1, 1934 and made him assistant relief administrator responsible for inauguration of a Nation-wide rural rehabilitation program. 29/ Westbrook called a conference in Atlanta, Georgia, about the middle of March to discuss with leaders in the fields of agriculture and relief and other civic leaders the means of coping with the situation by now especially acute in the Southern States. At this meeting some general features of a rural rehabilitation program were discussed, including making available special kinds of loans to those who needed to replace work stock and equipment and facilitating the return to farms of agricultural workers.

On March 22, 1934 Hopkins announced in a letter to all State Emergency Relief Administrators:

"Civil works and direct relief programs, as at present conducted in rural areas, which are defined as open country and towns having less than five thousand population, will be replaced as of April 1, 1934 by a program of rural rehabilitation. The objective of this program is to make it possible for destitute persons eligible for relief in such areas to sustain themselves through their own efforts. State Emergency Relief Administration will be permitted ample discretion as to methods employed in carrying out this program within the limits of funds available and to the extent that it can be shown that capital goods (domestic livestock, poultry, etc.) or subsistence rations, and other necessities furnished will lead to the rehabilitation of the persons receiving them." 30/

About the same time the discontinuance of the Civil Works program at the end of March 1934 and the substitution of a new Emergency Work program was announced. 31/ This new work program was designed principally for urban and industrial areas. For both new programs, grants of funds were made to the States for administration by their Emergency Relief Administrations.

The rural rehabilitation 32/ program on the one hand and the emergency work program on the other was the first move on the part of the Federal Government toward the differentiated treatment of the numerous relief groups and relief problems.

29/ Maris, op. cit.

30/ Rural Program -- Statement of Policy, RD-1, Harry L. Hopkins to all State Federal Emergency Relief Administrators, March 22, 1934.

31/ Monthly Report of the Federal Emergency Relief Administration, Mar. 1 to Mar. 31, 1934, p. 5.

32/ The term "rehabilitation" had previously had a specific meaning relating it rather exclusively to disabled persons; in this sense, referring to "the occupational reestablishment with a view to complete or partial economic independence of the physically handicapped and covers measures of every kind which tend to bring this about whether they be therapeutic, psychological, educational or socio-economic." See Oscar M. Sullivan "Rehabilitation," Encyclopedia of the Social Sciences, vol. XIII.

Two points of difference between the rural and urban programs were significant. First was the fact that the rural program policy, by helping cases on the border line of relief but not actually on the relief rolls, was to be preventive whereas the work program was definitely limited to persons established as being in need of relief, and therefore this program was only ameliorative. Second, was the fact that the relief to farmers was largely to be in the form of a loan to be repaid whereas the relief to urban and industrial workers was to be in the form of a cash wage. This difference seems to have been based on the assumption that since the emergency work was on projects of a public character presumed to benefit the general public, the individual recipient of the wage had fulfilled his obligation by the performance of certain work, whereas the loan of capital goods resulted in the increase in wealth of the individual and provided resources for his private enterprise for his own profit and therefore should be repaid. To the extent that the loan did not result in the farmer obtaining enough resources to produce an income that would meet his family budgetary requirements, pay operating expenses and interest, and have enough left over to retire his loan at least at the rate of annual depreciation, the differential policy was in effect, discriminatory against the needy farmer where repayments were to be in cash. The effect was to put him further in debt. That this was the actual result is indicated by the later "write-off" of many of the loans made under the rural rehabilitation program of the FERA although provision was originally made for repayment by work and in kind, as well as by cash.

Administrative and Legislative Life of Rural Rehabilitation

State Rural Rehabilitation Corporations under the FERA.- Federal and State agencies were mobilized for a rehabilitation program under the FERA on a national scale during March, April, and May 1934. It was agreed that the Emergency Relief Administration set-up in the States was not adequate to handle the financial operations planned as a part of rehabilitation. Plans were then made for State Rural Rehabilitation Corporations which could perform the required functions. The State emergency relief administrations organized their own rehabilitation divisions to conduct the program. Then the Rural Rehabilitation Corporations, as organized, acted as the legal and fiscal agents of the rehabilitation divisions. State relief administrators generally turned to the Land-Grant colleges for aid in drafting State rehabilitation plans. Grants to the States by the FERA for financing the rural rehabilitation program were made on the basis of definite plans submitted by them.

Action ran ahead of formal written procedures. Loans rose from 325 cases in April 1934 to more than 32,000 the next month. By the last part of June a document "Objectives and Suggested Procedure for Rural Rehabilitation" was issued by the Division of Rural Rehabilitation and Stranded Populations of the FERA. It also carried the approval of H. R. Tolley as Director, Program Planning Division, Agricultural Adjustment Administration, and C. W. Warburton, as Director, Extension Service, U. S. Department of Agriculture.

This document reported an estimated 600,000 farm families were on relief and another 600,000 non-farm relief families resided in rural areas. Objectives of the new program were outlined with respect to four major

groups: (1) Farm families eligible for or on the border line of relief and displaced farmers, all of whom were classed as subject to rehabilitation on the land, (2) relief cases in rural towns but not subject to rehabilitation on the land, (3) urban unemployed (presumably on relief) who might be transferred to rural areas to produce part of their own living from the land, and (4) farm families resident on submarginal lands to be purchased by the Federal Government and stranded populations living in communities in which industries had ceased to provide employment. A wide variety of needy groups already on the land or whose position might be improved by being located on the land thus came within the scope of the rural rehabilitation program as it was taking shape.

Methods outlined were as varied as the groups to be helped. Farm relief families on good land were to be provided (1) such seed, livestock, equipment, buildings and land as were needed for subsistence purposes, (2) services of trained specialists in agriculture and home economics to aid in formulating plans for subsistence farming and home-making operations and in supervising the carrying out of the plans, and (3) supplementary employment in private industry or on public work relief projects if and when necessary to complete the budgetary needs of the families. Farmers not yet eligible but on the border of relief were "for the most part to be rehabilitated through debt conciliation, relocation and guidance with the cooperation of credit agencies." Displaced farmers should be helped to locate on land and should be provided resources. Farm families on submarginal land being purchased were to be relocated on better land and given other rehabilitation assistance. While rehabilitation of rural relief families in towns was expected to be generally accomplished by employment in industry or public works, nearly everyone should grow subsistence gardens and some might participate in community work and commodity exchanges where their labor and skill could be exchanged for the surplus commodities of farm families on relief. In transferring selected urban families to subsistence part-time farms, farmsteads should be established on a cooperative community basis whenever possible.

Both rehabilitation "in place" and by "resettlement" were thus included in the original program. Loans, supervision, and debt adjustment were features of rehabilitation "in place." Immediate steps in the rehabilitation program for those to be aided "in place" were home or community gardens, food canning and conservation, poultry and pig raising, and producing milk for family use. The long-time phases were to embrace a permanent farm and home management plan and a supplementary employment program.

Although the general procedures and policies were outlined by the FEPA, the local program was determined largely by the States. Federal grants of funds were made to each State and administered under the State Emergency Relief Administrations. Because of this decentralized administration it is not surprising that the programs in practice varied somewhat from the original plans and that the rehabilitation idea was put into operation with varying speed in different parts of the country. The first State Rural Rehabilitation Corporation was incorporated in Louisiana in June -- 1934; the last which never functioned, was incorporated in Maryland in May 1935. A corporation was established in each of 45 States -- in all except Connecticut, Delaware, and Rhode Island -- and

in the District of Columbia, Alaska, Hawaii, and Puerto Rico (see Appendix C for dates of incorporation).

As it was already late in the spring when the rural rehabilitation plans took form, the program grew slowly until the beginning of the 1935 crop year, when thousands of drought-relief cases were transferred to rehabilitation. Before this transfer, rehabilitation was predominantly a Southern program, perhaps for three reasons: (1) A wholesale transfer of rural cases was made in some States from general relief to rural rehabilitation without necessarily meaning a change in type of aid since the relief program in some Southern sections was already on a loan basis; (2) rural rehabilitation took the place of landlords and merchants in "furnishing" croppers and tenants because the former sources of credit were unable or unwilling to continue the traditional practice; and (3) the small-scale nature of the farm enterprise and the fact that the farmers needing help were already on the land, made the problem of the South appear relatively simple and susceptible to rehabilitation. 33/

In the meantime further changes were in prospect as the need for additional clarification of Federal responsibility for relief and more unified administration developed. President Roosevelt in his message to the joint session of Congress, on January 4, 1935 requested a works program to substitute for direct relief. He called for shifting the unemployables on relief back to become the responsibility of the local governments as before the depression, while the employable persons on relief were to be accepted as the responsibility of the Federal Government. The broad aims and principles of his message were incorporated in the Emergency Relief Appropriation Act of 1935 (49 Stat. 115), approved April 8, 1935. This Act, along with funds for the work program, included a category "rural rehabilitation and relief in stricken agricultural areas" and further specified that funds might be used "in the discretion of the President, for the purpose of making loans to finance, in whole or in part, the purchase of farm lands and necessary equipment by farmers, farm tenants, croppers, or farm laborers." The legislative history of this Act indicates the intent to include virtually all the activities being carried on by the State rehabilitation divisions. 34/

To carry out the purposes of the Act, the Works Progress Administration was created on May 6, 1935 by Executive Order to conduct a work relief program. The new program was a Federal, not a State program. A basic difference existed between the new works program and the old with respect to wages and hours. 35/ Under the old Emergency Work Relief program the earnings of the relief worker were determined by the amount needed to meet the family's "budgetary deficiency." Under the new programs, workers were to receive a "security wage," a fixed amount varying

33/ Berta Asch and A. R. Mangus, Farmers on Relief and Rehabilitation, Works Progress Administration, Division of Social Research, Research, Monograph VIII, Washington, D. C., 1937, pp. 18-19.

34/ Monroe Oppenheimer, "The Development of the Rural Rehabilitation Loan Program," Law and Contemporary Problems, vol. IV, no. 4, pp. 471-438, Oct., 1937.

35/ Monthly Report of the Federal Emergency Relief Administration, Sept. 1 through Sept. 30, 1935, pp. 37-39.

by regions, locality, and broad occupational groups. To the extent that the new programs resulted in earnings above the old, it continued and increased the discrimination against the needy farmer being rehabilitated who was expected to repay his loan.

Parallel to this new public-assistance program was a move to solve some of the administrative problems arising from similar agricultural activities being carried on by different branches of the Government. By Executive Order No. 7027, on April 30, 1935 the President established an independent agency to be known as the Resettlement Administration and appointed Rexford G. Tugwell, Under Secretary of Agriculture, to be Administrator. The functions and duties of the Administrator were:

(a) To administer approved projects involving resettlement of destitute or low-income families from rural and urban areas, including the establishment, maintenance, and operation, in such connection of communities in rural and suburban areas, (b) to initiate and administer a program of approved projects with respect to soil erosion, stream pollution, seacoast erosion, reforestation, forestation, and flood control, and (c) to make loans as authorized under the said Emergency Relief Appropriation Act of 1935 to finance, in whole or in part, the purchase of farm lands and necessary equipment by farmers, farm tenants, croppers, or farm laborers.

The Order did not specifically refer to the rehabilitation function by name. This omission was amended by Executive Order No. 7200, of September 26, 1935, which inserted in paragraph (a) quoted above, the phrase, "rural rehabilitation, relief in stricken agricultural areas."

Hopkins directed the termination of FERA responsibility for rural rehabilitation as of June 30, 1935 and the transfer of such cases to the Resettlement Administration in a letter of June 19, 1935 to all State Emergency Relief Administrators.

From rural rehabilitation's inception on April 1, 1934 through June 30, 1935 some \$49,000,000 ^{36/} was advanced to about 398,000 ^{37/} cases of whom 367,000 cases were still under care in June. The 31,000 closed cases were already paid up, or were considered unsatisfactory prospects for rehabilitation and had been dropped. The program was centered mainly in the Southern States with the exception of South Dakota, Minnesota, and Wisconsin. Although the basic features of the standard loan program were developed under FERA, standard and emergency rehabilitation loans were not clearly differentiated until all the activities were transferred to the Resettlement Administration.

The Resettlement Administration.- To the Resettlement Administration was transferred not only the rehabilitation and resettlement activities of the FERA, but the land-use programs of the Department of Agriculture.

^{36/} Monthly Report of the Federal Emergency Relief Administration, Aug. 1 through Aug. 31, 1935, p. 21.

^{37/} Asch and Mangus, op.cit., p. 20.

and the Subsistence Homesteads projects of the Department of the Interior. Rehabilitation was to be the immediate or emergency aspect of the new agency's work. Retirement of submarginal lands and resettlement were to be the major and long-time aspects.

When the agency was created, it was planned to continue the rehabilitation activities through the medium of the State Rural Rehabilitation Corporations. The Comptroller General informally advised the Administrator, however, that there was no authority under the Emergency Relief Appropriation Act of 1935 for continuing to make grants of Federal monies to the respective State corporations for carrying on rural rehabilitation. Funds would have to be expended directly by the Resettlement Administration. This ruling necessitated quick reorganization of the whole administrative machinery, the organization of State offices by the Resettlement Administration, and the adoption of a centralized Federal program in place of the former decentralized program.

As the State Rural Rehabilitation Corporations were still in existence, in order to have a duplicate program in each State, the corporations were asked to pass resolutions which would:

- (1) Agree to transfer all or such part of the assets of the Corporation to the Resettlement Administration as the latter might direct (such transfer to become effective only upon the approval of the Attorney General of the State);
- (2) Authorize the Resettlement Administration -- pending such transfer of assets -- 'exclusively to manage and direct the administration of its assets and the expenditure of its funds;' and
- (3) Pledge the stock of the Corporation with the Administrator of Resettlement Administration as security for the above agreement giving the Administrator the right to vote the stock in event of default.

The Resettlement Administration accepted transfer of the assets of each State Corporation and held them as a trust fund going into the United States Treasury for use within the State in accordance with terms of the transfer. 38/ (See Appendix C for dates of resolutions.) The Corporation trust funds as administered by the Resettlement Administration and later by the FSA had to be accounted for separately from other funds used for rehabilitation.

38/ The interest of the State was recognized upon dissolution of the Corporations. For instance, the charter of the Colorado Rural Rehabilitation Corporation provided: "The corporation shall have a perpetual existence unless dissolved in accordance with the law, in which event its property shall be sold and disposed of, its debts paid and collected, its affairs properly settled; and the balance of funds on hand shall become a part of the general funds of the State of Colorado, subject to appropriation by the State Legislature."

While the rehabilitation program first continued along the State lines similar to the FERA organization, the Land Utilization Division was developed along regional lines. Adoption of the regional pattern of organization by the Resettlement Administration led to readjustments as certain functions of the State offices were transferred to the regions.

The shift of rural rehabilitation from administration by a public-assistance agency to an agricultural agency was completed when (as of January 1, 1937 by Executive Order No. 7530) the Resettlement Administration was transferred to the Department of Agriculture. Within that Department, the four broad phases of the Resettlement Administration's program -- land utilization, rural resettlement, rural rehabilitation, and suburban development (Greenbelt communities) -- were continued.

Appropriations for rehabilitation were continued by the Emergency Relief Appropriation Acts of 1936 (49 Stat. 1608) approved June 22, 1936 and of 1937 (50 Stat. 352), approved June 20, 1937. Then on July 22, 1937 Congress enacted the Bankhead-Jones Farm Tenant Act, Title II of which authorized rehabilitation loans to "individuals who obtain, or who recently obtained, the major portion of their income from farming operations, and who cannot obtain credit on reasonable terms from any federally incorporated lending institution." An agency of and within the Department of Agriculture was created as a corporate body, to be called the "Farmers' Home Corporation" and to which the Secretary of Agriculture could delegate the powers and duties for making rehabilitation loans which were conferred upon him by Title II. However, no appropriations were authorized then, or later, for carrying on a rehabilitation program within the provisions of this Act. The President was simply authorized to allot such funds from relief and work relief appropriations as he deemed necessary.

Despite the subsequent inaction, at the time the law was passed it was generally construed as giving "outright and specific legislative authorization for the continuance of the Federal program of rural rehabilitation loans and submarginal land purchase and development, which have heretofore been carried out under executive orders and financed by funds from appropriations for relief and work relief projects." 39/

In the Bankhead-Jones Act, rehabilitation was brought in as a corollary of and subsidiary to tenancy which was considered the major problem.

As early as February 11, 1935 Senator John H. Bankhead of Alabama had introduced a bill (S. 1800) which proposed a program that was both rural rehabilitation and the promotion of farm ownership. Demands for

39/ James G. Maddox, "The Bankhead-Jones Farm Tenant Act," Law and Contemporary Problems, vol. IV, no. 4, pp. 434-455, Oct. 1937. See also Monroe Oppenheimer, op.cit., for a similar view that enactment of Title II marked the probable transition of rural rehabilitation from an emergency relief measure to a permanent activity of the Department of Agriculture.

help for farm tenants had multiplied soon after the crop-adjustment and other agricultural programs were started in 1933. In several parts of the country, but especially in the South, tenants and sharecroppers were moving to town and going on relief. They were constantly complaining that they were not receiving an equitable share of the benefit payments being paid by the AAA for reducing cotton acreage. The old plantation paternalism was breaking down, many landlords were failing to assume their customary responsibilities toward tenants, and thus the propertyless groups were losing the security which the traditional system had afforded. ^{40/} As the distressed tenants composed a large proportion of the needy group that the rehabilitation program was intended to take off relief or prevent from going on relief, it seems natural that tenancy and rehabilitation were considered together in formulating legislation.

In the 1936 election both major parties pledged in their platforms to sponsor legislation to improve the farm tenancy situation. Soon after re-election, President Roosevelt appointed a special committee on farm tenancy to report "on a long-term program of action to alleviate the shortcomings of our farm tenancy system," with Henry A. Wallace, Secretary of Agriculture, as chairman, and L. C. Gray, Assistant Administrator, Resettlement Administration, as executive secretary and technical director. The report of the committee, which had 41 members, was prepared by a technical group under Dr. Gray, and made up of John D. Black, E. G. Hourse, A. G. Black, Charles S. Johnson, Lowry Nelson, W. W. Alexander, and M. W. Thatcher. On February 16, 1937 the President transmitted the committee's report to Congress, pointing out that one of the types of action recommended was "modest loans, with the necessary guidance and education to prevent small owners from slipping into tenancy, and to help the masses of tenants, croppers, and farm laborers at the very bottom of the agricultural ladder increase their standards of living, achieve greater security, and begin the upward climb toward land ownership."

The Committee placed the problem of farm tenancy in a broad framework, concerning itself not only with proposals to facilitate movement up the "agricultural ladder" but to increase security on each of the ladder's rungs. To describe the activities recommended for Federal action it was proposed that the name of the administrative organization be the Farm Security Administration. This agency should be under the Secretary of Agriculture. The Resettlement Administration was indicated as a desirable nucleus for any organizational adjustments needed to carry out the program.

The recommendations of the committee with respect to rehabilitation were as follows:

Approximately 1-1/3 million tenant and cropper families and members of other groups of disadvantaged farm workers urgently require some form of financial assistance other than that obtainable from either the Farm Credit Administration or private lending agencies.

^{40/} James G. Maddox, op.cit.

From the standpoint of the nature of their needs, they fall into several classes. First, there is the wreckage of the prolonged agricultural depression or of extraordinary calamities such as droughts or floods. Approximately 420,000 farm families who were already near the bare subsistence level have been forced so far below that level as to require relief grants to avoid destitution. There are also 500,000 or 600,000 families, normally well above the subsistence level, who have suffered such a paralyzing series of misfortunes — largely as a result of drought — that they have exhausted their resources of capital and credit. They require financial aid in the form of feed and seed loans if they are to continue their farm operations. These people under normal circumstances have the capacity to conduct a farm successfully. They are the victims of calamity. The two groups present acute problems both of immediate relief and rehabilitation..

There is another large class of farm families, mostly tenants or croppers, who are either severely lacking in adequate operating capital or obtain it at rates that would break the back of any business. Probably the great majority of the 1,831,000 tenant and cropper families of the South and numerous small farmers in other sections not included in the groups mentioned above belong to this category. In general, they are unable to meet the requirements of strictly banking credit.

In the South a large proportion of farm families must go into debt for the means of sustenance, as well as for fertilizers and other requirements while making a crop. For these advances they rely on loans from merchants or landlords for which they pay a combination of interest and 'time' prices frequently equivalent to 30 percent or more on the face of the loan. (From the standpoint of the merchant or landlord the high charges for credit frequently appear fully justified by the heavy risk and the relatively high cost of making and collecting such small loans.) The system has perpetuated itself in part because the insistence of lenders on the production of cash crops has prevented the farmer from raising his food; and in part because the experience of the farmer himself and the nature of his equipment limit him largely to cash-crop production.

To this class of farmers we recommend that the proposed Farm Security Administration offer a system of rehabilitation loans associated with technical guidance. This form of assistance has already been extended to some 300,000 families by the Resettlement Administration.

Such loans should be confined to those who cannot qualify for production-credit loans. They should be made for the purchase of machinery and other equipment, livestock,

feed, seed, fertilizer, and other seasonal operating requirements, as well as for refunding existing short-term indebtedness.

The program should be broadened by abolishing the present restriction to persons on relief. Its primary purpose should be to aid families capable of hard work to reach a stage where they will be able to qualify banking credit.

First essentials in extending this type of credit are, that the entire farm enterprise be considered as a unit; that the credit granted fit into a specific farm-management program; and that the farmer and his family be given technical guidance. The farmer's assets and liabilities should be carefully reviewed and when necessary the services of the county farm-debt adjustment committee enlisted to bring his debts within his capacity to pay. Plans to assure effective expenditure of funds should be worked out with liberal use of the assistance of local advisory committees. The portion of the loan that is necessary to feed, clothe, and house the farmer and his family should be determined, with due consideration for producing on the farm a maximum of family requirements. Farm and home plans contribute materially to the ultimate rehabilitation of the family and its ability to repay indebtedness.

In employing the system of rehabilitation loans a primary objective should be to stimulate the development of better lease contracts. In fact this is not only a desirable aim in itself, but also essential to the success of the program. The 1-year lease with no assurance of renewal affords too short and uncertain a period to permit the working out of a farm plan, and greatly increases the loan hazard. Many landlords will sign written leases including provisions for a larger degree of security if assured that they will be relieved of the necessity of providing credit and some of the burden of supervision. - - - - -

The potential social saving of such a program is obvious from these figures, and justifies the charging of some of its costs to education of the families benefited and their neighbors, avoidance of relief expenditures, and development of more healthful and stable conditions of rural life. 41/

Even before the President transmitted the Committee report, Senator Bankhead and Congressman Marvin Jones, Texas, Chairman of the House Committee on Agriculture, had introduced new legislation to promote farm ownership among tenant farmers. This was redrafted to incorporate many of the recommendations of the President's committee and

41/ Farm Tenancy, Report of the President's Committee, prepared under the auspices of the Natural Resources Committee, Washington, D. C., Feb. 1937, pp. 14-15.

finally resulted in "the Bankhead-Jones Farm Tenant Act." Apparently there was little disagreement over the nature of the legislation authorizing rural rehabilitation and little attention given to Title II authorizing rehabilitation loans when the Act was discussed in the House and Senate. 42/

The Farm Security Administration.— On September 1, 1937 the Secretary of Agriculture by Memorandum No. 732 designated the Farm Security Administration as successor to the Resettlement Administration, thus carrying out the recommendation of the Committee on Farm Tenancy. The land-utilization program of the RA was transferred to the Bureau of Agricultural Economics. The new tenant-purchase program authorized by Title I of the Bankhead-Jones Act was added to the duties of the Farm Security Administration which continued to administer the rural rehabilitation and the rural and urban resettlement programs. By this time rehabilitation "in place" through standard loans was well recognized as the major program and rehabilitation by "resettlement" occupied a diminishing role.

The Emergency Relief Appropriation Act of 1938 (52 Stat. 809) began the procedure of making direct appropriations to the Secretary of Agriculture for the rehabilitation program which was continued by the Emergency Relief Appropriation Act of 1939 (53 Stat. 927). An innovation, continued to the time this report was written, was introduced by the Emergency Relief Appropriation Act, fiscal year 1941 (54 Stat. 611) which, while continuing direct appropriations for the administrative expenses, directed that loans were thereafter to be financed largely through borrowing from the Reconstruction Finance Corporation.

Funds for rehabilitation were first included as a part of the Department of Agriculture appropriation for the fiscal year ended June 30, 1942 (55 Stat. 408) and have been continued in the agricultural appropriations.

Congressional restrictions on the uses which might be made of funds for rehabilitation began in connection with an additional appropriation for the 1938 fiscal year (53 Stat. 507) and were later increased.

In the spring of 1943 a resolution (H. Res. 119) was approved by the House, creating a select committee of the House Committee on Agriculture to investigate the activities of the Farm Security Administration. This Committee held extensive hearings 43/ and recommended new legislation 44/ which would give permanent status to the standard loan type

42/ See Maddox, op.cit.

43/ Hearings before the Select Committee of the House Committee on Agriculture, to Investigate the Activities of the Farm Security Administration, House of Representatives, Seventy-Eighth Congress, First Session, pursuant to H. Res. 119, part 1, May 11 to 28, 1943, inclusive; part 2, June 7 to July 2, 1943, inclusive; part 3, 1944.

44/ Report of Select Committee of the House Committee on Agriculture to Investigate the Activities of the Farm Security Administration, House Report No. 1430, 1944.

of program. However, the rehabilitation program under the FSA continued like its predecessors to function without specific congressional mandate since Title II of the Bankhead-Jones Act was never implemented by an appropriation.

Summary.- Since 1930, significant changes have occurred in the programs and in responsibilities for helping needy farmers. An unprecedented combination of drought, depression, and unemployment affected farmers and non-farmers. The setting brought a demand for action on all fronts. One of the action programs evolved was the rural rehabilitation measures instituted by FERA out of which grew the standard loan program administered by the Resettlement Administration and the Farm Security Administration. The shift was from relief to rehabilitation. The support was extended from a National rather than local base. The administration of aid has been shifted from a local, decentralized, and often private basis to a centralized Federal agency. The problem that prompted the beginning of these changes was viewed as of a temporary, emergency nature. It has been found to be extensive, complex, rooted in institutional and cultural forces of long standing, and amenable only to costly, long-time measures.

In the beginning, inexperience, the possibility of failure, and the need for careful testing or exploration were all secondary to the overpowering drive for action to overcome the conditions then bedeviling the Nation. With action has come increased understanding of the problem and of ways to meet it. The world in which rehabilitation has functioned has continued to change. With the change in the "great society" have come changes in the objectives as well as in the administration and procedures of rehabilitation.

CHAPTER 3

OBJECTIVE OF RURAL REHABILITATION IN PEACE AND IN WAR

The broad objectives of rural rehabilitation have been in a process of growth. They have changed as understanding grew of the causes of the problems of the people the program was designed to help. They broadened in common with the general trend for increasing direct action by the Federal Government to promote the "general welfare" of the people. They were reoriented as the Nation shifted from peace to war. Additional realignments will undoubtedly be called for and are needed as the Nation continues to work out integrated agricultural and other national policies in behalf of human welfare.

As the program has operated under executive order rather than under specific Congressional legislation, changes in top administrative personnel have been of more than customary significance in the inevitable introduction of new viewpoints and philosophies which ultimately find some form of expression in terms of program objectives.

A formal and clear-cut official pronouncement is not available for rural rehabilitation objectives generally or for the standard loan program specifically at the various stages of development.^{1/} Statements by administrative officials must be depended upon as evidence to some extent, for all objectives do not become formalized in procedural documents. Just what constitutes an official objective may be open to question, for officials may make statements that are not supported by administrative action. For that matter, even the written procedures issued at the national level must be interpreted at each of the successive lower administrative levels and in this process sometimes become modified or, at worst, even reversed by the time they are put into action at the county office level.

In this analysis it is also recognized that what constitutes a major objective is perhaps a matter of interpretation, for what might be considered as objectives are also means of implementing the broad purposes. To diversify the farm enterprise by having at least two sources of cash income has been a goal in itself for borrowers but has also been a means of achieving the larger purpose of security for the individual family by providing a more stable income. Thus there are many lesser objectives all pointed in the same general direction as the major goals.

* Prepared by Olaf F. Larson, Bureau of Agricultural Economics.

^{1/} Perhaps the most specific was one prepared by FSA in connection with a personnel training program which stated the long-run objectives of the agency as a whole. See Farm Security Administration, Induction Training Course, Oct. 1941, p. 58.

The growing concept of what constitutes rehabilitation sheds light on the broadening objectives. In June 1934 when the rehabilitation divisions were being established in State emergency relief administrations, an FERA report said "The major and primary purpose of the rural rehabilitation program is to make it possible for worthy destitute farm families now eligible for relief to become self-supporting on a plane consistent with American standards and insofar as possible on their own farms."^{2/} A few months later the objective of self-support was again reiterated.^{3/} Hopkins in a memorandum of November 5, 1934 wrote "I want to see the hundreds of thousands of farm families on our relief rolls given aid which will enable them to make their own way, and which they will fully repay. Our rural rehabilitation program is not predicated on charity."^{4/} The following May, he noted that a family was considered rehabilitated when no further aid was needed and it was crossed off the relief rolls.^{5/}

Thus self-support was the goal of rehabilitation, but it was self-support at some plane of living "consistent with American standards." Too, the financial help given by the Government was to be repaid in full.

In 1940, a definition of rehabilitation, and of program objectives -- although expressed in terms of one administrative region -- had general applicability. Rehabilitation was said to be accomplished when these four things were done:

- "1. When an adequate standard of living has been established for the family. We mean by adequate, at least adequate food, clothing and shelter. It is not a set level. It will vary from community to community, from State to State; it won't be the same thing one place as another. But at least it means parity for the family in whatever community they live.
- "2. When the family has paid off the loan that was made for the purpose of obtaining rehabilitation.
- "3. When the family has obtained the facilities and ability with which to refinance itself, if necessary.
- "4. When -- most important -- the family has obtained the self-sufficient ability to maintain at least the standard of living established, and to make whatever future progress is required by its own mental and physical growth."^{6/}

^{2/} Objectives and Suggested Procedure for Rural Rehabilitation, Federal Emergency Relief Administration, Washington, D.C., June 27, 1934, p. 1

^{3/} Paul V. Maris in Rural Rehabilitation, vol. I, no. 1, Nov. 15, 1934, p. 21.

^{4/} See Rural Rehabilitation, vol. I, no. 1, Nov. 15, 1934, p. 5.

^{5/} Harry L. Hopkins, "Hope for the Millions," Today, 4(2):3-4, 20, May 4, 1935.

^{6/} Ralph W. Hollenberg, The Meaning of Rehabilitation, statement at Farm Security Agency Region IX staff meeting, Mar. 21, 1940.

In this statement, self-support is only implied, not specified. This is in part perhaps, because it seems obviously an accompaniment of the other accomplishments and possibly because the applicants that were being accepted by 1940 were above the relief level, hence restoration to self-support was not a prominent problem. As compared with the conceptions at the beginning of the rehabilitation program, the goal for an adequate level of living was given greater emphasis. Most in contrast with the earlier statements was the idea that rehabilitation involved the development of skills and abilities, although even this was implied in the beginning.

During the 5- or 6-year interval, the definition of rehabilitation had been sharpened. The broadened objectives reflected both a growing humanitarianism and a shift from primary concern with alleviating an emergency crisis to concern with permanent solutions of deep-rooted problems of poverty. The standard rural rehabilitation loan program has had other goals than those mentioned in the above statements. It has had some goals directed more to the benefit of the Nation generally than for the special welfare of individual borrowers. For purposes of analysis, therefore, it is convenient to classify the objectives into two broad groups, those (1) for the families^{7/} being rehabilitated and (2) for agriculture and society. The two are complementary in large measure.

Objectives for Families Assisted

Most of the goals for individual families assisted were more or less implicit from the beginning but became clarified and were given changing emphasis as the program developed. For this reason it is difficult to say that a particular objective originated during the administration of a particular agency.

The standard loan program has proceeded on the theory that for the most part the rural needy and unemployed are average individuals willing and able to earn their own living, and that they can become self-respecting citizens again if they are given the right kind of a chance.^{8/} It is assumed that there is nothing fundamentally wrong

^{7/} The word "families" is used advisedly since less than 2 percent of the standard loans were made to borrowers where the household consisted of a single person at the time of application for the loan.

^{8/} C. C. Davis, "The Development of Agricultural Policy Since the End of the World War," *op. cit.*, p. 325; W. W. Alexander, "Overcrowded Farms" in *Farmers in a Changing World*, p. 871.

with families who have to seek rehabilitation aid.^{9/} This assumption is contrary to that which underlaid the "poor laws" in the Elizabethan tradition which were based on the premise that a person's being in need branded him as incompetent or worse. It is in line with the new philosophy which accompanied acceptance by the Federal Government for responsibility for the unemployed and the later developments in public assistance.^{10/}

However, it was soon discovered that the rehabilitation program developed was most successful with families who met certain eligibility requirements. In the early history of the program it was soon learned that wholesale transfer of rural families from the relief rolls was sure to include a large proportion either physically handicapped or so lacking in managerial ability that they could not take advantage of the opportunity of a program of the type offered. By the end of the third year, administrators concluded there was need for an auxiliary program for the group not ready to undertake the responsibility of operating an independent farm unit, saying experience indicated that only about "half of the destitute and low-income farm families are immediately capable of achieving a self-supporting status through the financed and supervised farm and home plan process."^{11/} It has become clear that the program developed "is not intended for the helpless and the hopeless."^{12/}

^{9/} This view was supported by H. A. Wallace in an address "What the Scientist Can Do To Combat Racism" given Oct. 14, 1939. He cited W. S. Neff's study of "Socio-Economic Status and Intelligence," as pointing out that nearly all the differences in intelligence between groups of children of the highest and lowest status is due to environment. He also quoted the "Geneticists Manifesto" made public in Aug. 1939, in part as follows: "There can be no valid basis for estimating and comparing the intrinsic worth of different individuals without economic and social conditions which provide approximately equal opportunities for all members of society instead of stratifying them from birth into classes with widely different privileges." Dwight Sanderson in his 1938 presidential address, "Disadvantaged Classes in Rural Life," before the American Country Life Association assailed the common notion of native inferiority as the cause of the disadvantaged classes saying that the mass of people living under disadvantageous conditions "are what they are because of the conditions and not primarily because of native inferiority." He said that unproved biological inferiority should not be used "as an alibi for neglecting to improve conditions under which satisfactory human life is obviously impossible."

^{10/} Jane H. Hoey, "The Significance of the Money Payment in Public Assistance, Social Security Bulletin, vol. VII, no. 9, Sept. 1944, pp. 3-5

^{11/} Report of the Administrator of the Resettlement Administration, 1937, pp. 4-5.

^{12/} Toward Farm Security, prepared under the direction of the FSA Personnel Training Committee, for FSA employees, by Joseph Gaer, consultant, F.S.A., 1941, p. 65.

The major goals for the families accepted on the standard rural rehabilitation program or its earlier equivalent are interpreted to have been as follows:

1. To Relieve Suffering And Misery. - This purpose was particularly prominent when rehabilitation was first started to meet an emergency situation but became of lesser importance as the program shifted and broadened to attack the more fundamental causes of poverty. Later, too, families selected for aid were usually above the relief level. In part, this goal was administratively determined since the program under FERA was intended to help rural families on relief. For families with resources depleted by drought and pests, and floods, this goal was especially pertinent. However, under RA and FSA where this objective was almost the sole one, it was more likely to be achieved by grants or emergency loans rather than through the standard loan program.

2. To Restore To Permanent Self-support.- This goal was articulated because the people being helped at first were on or near relief. Later, it was restated in terms of security. Loans, supervision, farm and home plans, debt adjustment, tenure improvement, cooperative services and associations, and provision of facilities for improving health were all intended to support this objective. It was assumed that through these tools and techniques the goal could be reached. Without the attainment of this goal no family could be said to be rehabilitated.^{13/} Permanent self-support implies no further need for financing through rural rehabilitation since a part of this goal is the development and acquisition of resources to the point where credit can be obtained from the customary commercial sources. In fact, in some of the early statements of purpose the re-establishment of credit was given as a primary purpose of the program.^{14/} The goal also implies self-support at some acceptable level of living.

3. To Obtain a Physically Healthful Level of Living.- To achieve this goal, diversified "live-at-home" farming has been encouraged. At all times a basic point called for in every farm plan has been home production of most of the family's food supply and livestock feed. The first statement of policy said "Home or community gardens, food canning and conservation, poultry and pig raising and producing milk for family use are recognized in general as the first steps in the rehabilitation program."^{15/} Production of a year-round supply of home-grown vegetables, fruit, meat, poultry, eggs and milk for family use and of pasture, forage, and grain for "subsistence" livestock have continued to be a goal for each family as a means of getting enough quantity and variety of food with the minimum money outlay.

^{13/} During the first months while the loan program was an undifferentiated one, approved policy included the acceptance for rehabilitation of a client whose probable income could not be made to equal probable expenditures, if by making a loan some saving could be effected in relief costs. See policy interpretations by P. V. Maris in Rural Rehabilitation, vol. I, no. 2, Feb. 15, 1938, p. 13.

^{14/} First Annual Report, Resettlement Administration, Washington, 1936, p.3.

^{15/} Objectives and Suggested Procedure for Rural Rehabilitation, p.2.

At first the content of the desired material level of living was vaguely defined but tended to be the "minimum" level prescribed for relief families. In later years it was more precisely spelled out, and for food was in terms of a "minimum adequate" level of nutrition. James G. Maddox, when director of the rural rehabilitation program, tentatively set the following dollar values at 1936 prices for minimum physical annual requirements for a farm family of five, by areas: South, \$550; North, \$630; West, \$660.^{16/}

^{16/} J. G. Maddox, "Suggestions for a National Program of Rural Rehabilitation and Relief." Journal of Farm Economics, 21:881-896, Nov. 1939. Including "cultural" requirements, the values were South, \$705; North \$820; West \$845.

Usually the goals have been given a quantitative measure. A recent guide for foods needed for best health has been the following:^{17/}

| EVERY DAY ONE PERSON NEEDS: | IN A YEAR ONE PERSON NEEDS ABOUT: |
|--|---|
| 3 to 4 Cups <u>Milk</u> | 90 Gallons <u>Milk</u> |
| <u>Butter</u> (1/2 Pound a Week) | 26 Pounds <u>Butter</u> (about 75 Gallons <u>Milk</u> Needed to Furnish Cream for Butter Making) |
| 1 <u>Egg</u> (at Least 3 to 4 a Week) | 20 to 25 Dozen <u>Eggs</u> |
| <u>Meat</u> Once a Day | 100 to 125 Pounds Lean <u>Meat</u> , Poultry Fish |
| <u>Lard</u> or Fat Meat for Cooking | 30 Pounds <u>Lard</u> , Fat Pork and Bacon |
| <u>Potatoes</u> Once or Twice | 5 Bushels <u>Potatoes</u> to Have Them Twice a Day |
| 2 or More <u>Other Vegetables</u> Especially Green and Yellow Colored Vegetables, such as Green Beans, Spinach, Turnip Tops and Other Greens, Rutabagas, Carrots | 7 to 15 Pounds Dried Beans and Peas to Use 2 or 3 Times a Week |
| <u>Tomatoes</u> , Oranges or Grapefruit: | Enough <u>Other Vegetables</u> , <u>Tomatoes</u> and <u>Fruit</u> for Daily Use Either Fresh, Stored, Dried, Canned (goals for quarts of Canned Tomatoes, Vegetables, Fruits, Meat, Poultry, Fish vary by areas) ^{18/} |
| <u>Fruit</u> Once or More | |
| <u>Whole Grain Cereal</u> and Bread at Least Twice a Day | 1 Bushel of Any <u>Whole Grain</u> for Cereal and 150 to 200 Pounds of Flour and/or Cornmeal |
| <u>Sweets</u> — Sugars, Sorghum, Molasses, Maple Syrup, Honey | <u>Sweets</u> — 50 to 60 pounds (this Includes Sugar for Canning), Syrups and Honey |

^{17/} Form FSA-14-B, 6-19-42, U. S. Department of Agriculture, Farm Security Administration.

^{18/} A goal of 80 quarts of fruits and vegetables canned annually for each family member has been a general standard.

Prescriptions of nutrition experts have been followed in setting up these food guides but the precise content has varied from time to time.^{19/} During the first year on the program, the family is expected to produce at least half of its food supply.^{20/} In succeeding years the proportion is expected to be increased until, under favorable conditions, 75 percent of the food is home grown. It has been recognized that these standards must be adapted to local climatic and soil conditions.

The goals for clothing are that there be enough for health and warmth, at least one change for each member of the family, and of a kind that will enable the children to attend school and the family to take part in community activities.^{21/} In achieving this goal, the repair and remodeling of all clothes, before buying new has been encouraged, or the making at home, if this is more economical than buying ready-made. It is of interest that one memorandum given a wide circulation among FFA rehabilitation personnel noted that, "Psychologically, it may be more important that the family be well-dressed than that it be adequately fed."^{22/}

The standards call for at least a weather-tight, screened house, a sanitary toilet, and satisfactory water supply. More specifically, criteria suggested as minimum standards for housing and living conditions are: "Adequate space for canned and stored foods; walls and woodwork in good condition, plaster repaired, paper and paint, if necessary; floors in repair; windows in good repair, frames solid and panes replaced; doors and windows screened and breeding places of flies eliminated; storage space for clothing, bedding, kitchen utensils, dishes, and staple food supplies; safe steps into house and cellar (hand rail on stair steps); roof that does not leak; safe water near the house, tight well curb; a sanitary toilet; and walks to principal building."^{23/} Chimneys should be safe against fires. The house should have enough rooms so that children over 2 years old could sleep in a room apart from their parents and older boys and girls could sleep in separate rooms.

^{19/} See, for example, Toward Farm Security, pp. 103-104.

^{20/} Ibid, p. 102.

^{21/} Supervisors' Guidebook, U.S. Department of Agriculture, Farm Security Administration, n.d., p. 27.

^{22/} Memorandum by Claribel Nye quoted in Rural Rehabilitation, vol. I, no. 1, p. 10.

^{23/} Toward Farm Security, p. 106.

Beds and bedding should be enough so that not more than two persons need sleep in one bed. An infant should have a separate bed. Minimum goals for other household equipment include a stove that will bake, utensils to prepare plain meals and properly care for milk, dishes enough so all the family can eat together, a dishpan, pressure cooker, 80 quart jars or the equivalent per person, two washtubs and a washboard, a sewing machine and a good pair of scissors, 3 irons (if flatirons are used), a good lamp if reading or studying is done at night, and chairs enough for the entire family.^{24/}

Correction of chronic physical or dental conditions and provision for care needed currently are a part of the general objective of attaining physical health.

Although a few of the equipment items -- chairs, irons, enough beds and space so the boys and girls can sleep in different rooms -- are largely reflections of social values of our culture, the majority of items set forth as minimums in achieving the goal of healthy living have validation in the science of our time. Good health has been considered a means of overcoming the lack of initiative and energy so often ascribed to the poverty stricken.

4. To attain a Socially Desirable Level of Living.— Under FERA, the emergency dictated that all efforts be devoted to meeting physical needs of families. As understanding grew of the problems faced in achieving permanent rehabilitation, and as the concept of rehabilitation broadened to take in social as well as economic ends, consideration was given to what the sociologist calls the "non-material" elements in the level of living. In the second annual report the Resettlement Administration stated "In many areas the children of these families have been encouraged to attend a complete term of school for the first time. Likewise, the self-respect of clients' families has risen to the point that many are again participating in community activities from which their insecurity had forced them to withdraw."^{25/}

Although the content of a socially desirable level of living has not been as precisely charted as have the goals for food, clothing, and shelter, the goals include: children's attendance at school for the entire term, access to at least one newspaper and one farm magazine, family participation in community activities in such forms as church and school affairs, extension clubs, neighborhood group meetings and other community get-togethers.^{26/} An allowance is desirable in the budget for contributions to church and charity or gifts in accord with the circumstances of the family. Every family should have some recreation, many forms of which need cost little or nothing.^{27/} The intent is that families should be full participants in the affairs of their community.

^{24/} Ibid, pp: 107-108; Supervisors' Guidebook, p. 27.

^{25/} Report of the Administrator of the Resettlement Adm., 1937, p. 4.

^{26/} Supervisors' Guidebook, p. 28.

^{27/} Toward Farm Security, p. 108.

The goal has also found interpretation as part of the objective of attaining security and of becoming participants in a democratic society. Lack of participation in community activities is believed to reflect frequently an inferior status. This, in common with other dissatisfying conditions of living, is not conducive to good morale.

5. To Acquire the Skills and Abilities Needed to Manage Their Own Farm and Home Successfully and Independently. Sometimes this objective is expressed in terms of "managerial ability" or "farsightedness." Attainment means being able to get along without supervision, to have the judgment to know when and where to ask for advice. This objective rests upon the assumptions that (1) most rural rehabilitation families are average folks and (2) the resources for lasting rehabilitation reside within the people themselves. Training and supervision have been designed, at least philosophically to develop these innate resources by teaching skills and techniques and fostering initiative, the ability to meet problems, to plan, and to make decisions. Among other things, this objective means training in "live-at-home", diversified, soil-saving farming and utilization of materials such as timber, rock, and gravel that are available on the farm for improvement of buildings. Emphasis on this objective grew out of experience. Many borrowers had been farming "with a set of inherited notions" in the "hoe farmer" tradition for so long that they had to be taught very simple but more up-to-date farm practices. Modern technological and scientific developments were foreign to them. Others needed training in shifting from a one-cash crop to a diversified live-at-home type of farming. Lack of managerial ability was widespread, partly because under the paternalistic plantation system of the Cotton South there had been only a limited opportunity to develop this ability.

6. To Achieve Security.- This goal was implied in the idea of self-support. It became a definite objective with the organization of the Farm Security Administration in line with the recommendations of the President's Committee on Farm Tenancy. Before the adoption of this goal, program emphasis was rather strictly upon rehabilitation, that is, restoring farm people to some economic status which it was assumed they previously held. Program activities with the adoption of this goal could more correctly be described as "habilitation" as help was directed to families who had never in their lifetime had a secure economic status. It was at this point that the rehabilitation program shifted from almost a purely relief measure to one attempting to solve some of the fundamental causes of rural poverty.

Stable and improved tenure on the land, and measures such as debt adjustment to prevent loss of tenure, were designed to increase the security of groups at a particular rung of the agricultural ladder. The development of two or more farm enterprises to provide goods for the market by providing a more stable and dependable income than growing one cash crop contributes to the security goal. So too, does the building up of soil fertility through good cropping, tillage, and other good land use practices. The fostering of self-sufficiency through producing and making a large share of the family's living needs on the farm and in the farm home have been considered a means

of adding security by reducing dependence on cash income subject to market influences. Provision in the family budget for life and burial insurance within the family's ability to pay is another means of attaining some security.

The goal of security for the individual rehabilitation family is a reflection of the progressive development in theories of social responsibility which hold that, "It is the security of society, including the poor, not 'relief of the poor' which is at stake."^{28/}

7. To Obtain Land Resources Sufficient For An Economic Unit of the family-farm type.— The family farm has been considered the traditional and desirable type of farm organization in the United States. It has been defined as being no larger than the family can operate successfully without hiring outside labor except at brief peak periods at planting or harvest time.^{29/} Such a farm is further defined as one having the capacity to yield income which can maintain a family according to acceptable levels of living, pay annual operating expenses, pay for and maintain necessary livestock and farm and home equipment, and pay off the purchase price if the farm was bought at a price consistent with its earning capacity.^{30/} Farm ownership has been held to be a desirable goal for standard rehabilitation borrowers but it is probably fair to say that this has been more a theoretical long-time than immediate working objective, in view of the large proportion of non-owner borrowers and the magnitude of the Nation's farm-tenancy problems.

More immediate has been the goal of seeing that every family has an adequate land base for an economic farm unit including all the elements of the family farm but ownership. This reflects a development in thinking away from the almost purely subsistence goals of the early program to realization that, in order to meet necessary cash living and operating expenses and to repay loans, a family had to have an "economic unit" — enough good land with sufficient improvements to produce the returns needed for successful rehabilitation. During the war, the tendency has been to include full employment of available family labor as part of the definition of an economic unit.

Special real estate loans (later farm and home improvement and farm enlargement loans), farm-unit reorganization, and improved leasing arrangements have been devices to enable borrowers to get adequate land resources in the family-farm tradition. More frequently, having an economic unit — especially during the war years — has been a condition to receiving a loan. The land-leasing cooperative associations, although not in the traditional family-farm pattern, have been an experimental effort to provide adequate land resources.

^{28/} Hocoy, op. cit.

^{29/} FSA Instruction 621.1 (Rev. 9-21-40).

8. To Become Full Participants in a Democratic Way of Life.— This goal is but the extension of the democratic ideal to the individual rehabilitation family. It means taking part in the normal social, educational, economic, religious, and political life of the community. It means an opportunity to become an important and integral part of the farm community — in sociological terms, the achievement of status. It means freedom of civil liberties. It means the opportunity for individual development — the chance to get ahead. The assumption is that rehabilitation is not complete until the individual and family are integrated into the community and society.

Re-evaluation and restatement of objectives as a result of the war have crystallized this goal.

Neighborhood discussion or "action groups," organization of co-operative associations wherein one member has one vote, and encouragement of individual borrower responsibility for shaping farm and home plans have all been means of teaching familiarity with the democratic process and preparation for full participation in a democratic society.

9. To Secure Maximum Employment of Family Labor. The wartime needs of the Nation were largely responsible for formulation of this objective. However, studies of the resources and available labor among low-income farmers were bringing a growing realization of the tremendous volume of underemployment in this segment of the rural population. It came to be recognized, too, that full employment was an aid in achieving the other economic goals of rehabilitation. Further, full employment was seen as an incentive to improved morale and a means of having a stake in the democratic way of life.

The plan has been to accomplish this objective by producing food, fibers, and other needed products on the family's own farm, except where restricted farm resources prevent the full employment of available labor; in this case, the surplus manpower has been encouraged to help meet the agricultural and industrial labor needs of the community.^{30/}

Credit, farm and home planning, supervision, cooperative activities, the health program, tenure improvement, and debt adjustment were directed to the attainment of this goal.

Time Allowed for Reaching Goals.— No time limit was set originally within which an individual family on its farm had to achieve these major objectives in order to be considered rehabilitated: "complete rehabilitation may require many years."^{32/} More recently, the official^{30/} For a preliminary attempt to interpret this definition in terms of acres, farm organization and levels of living, see Donald R. Rush and Olaf F. Larson, Farm Resources and Farming Systems Needed to Meet Living Needs of Farm Families in Five-Type-of-Farming Areas. Part I, Summary U.S. Dept. of Agriculture, Bureau of Agricultural Economics, Wash., Mar. 1942^{31/} FSA Instruction 731.1, dated 11-9-42.

^{32/} Policy interpretation by Paul V. Maris, Rural Rehabilitation, p. 14.

policy has been to require evidence of progress by the end of the third full year if further supervisory and financial assistance is to be received.^{33/}

National Objectives for Agriculture and General Welfare.

The broad objectives of rehabilitation with respect to agriculture and the general welfare of the Nation, like the goals for the individual recipients of standard rehabilitation loans, have changed and grown during the program's history. These adjustments have been mainly a reflection of the changing world in which the program has been operating. The shift from peace to war and from depression to prosperity, from unemployment to full industrial employment have inevitably reacted on this program. The goals for the Nation to be furthered through the rehabilitation program are more definitely associated with particular administrative agencies than are goals for the individual, simply because the change in agencies has been so correlated with economic, social, and other changes. Reorientation of objectives has been forced because of expediency, growing understanding of the causes of rural poverty, growth in the concept of rehabilitation, increased knowledge of the factors limiting rehabilitation, and changes in the national situation.

The result of these changes was that some of those later adopted were contrary to those originally thought appropriate in view of earlier conditions. Broadly the objectives can be put into two categories: (1) those that have continued throughout the program or have been added and are still in force and (2) those that have been dropped or greatly de-emphasized. The following are in the first of these groups:

1. To Save the Taxpayer's Money.— A primary reason why relief assistance for farmers took the form of rural rehabilitation was because many believed the cheapest measure to adopt.^{34/} This was demonstrated time and again in the statements of Hopkins, Westbrook, and others. In the fall of 1934, Westbrook wrote, "...a very large percentage of them can rehabilitate themselves and become self-sustaining, self-respecting citizens under conditions which may be easily brought about by the Government at less cost to the Government than the cost of direct and work relief as at present."^{35/} Hopkins, too, emphasized that full repayment for the aid was expected, saying, "Our rural rehabilitation program is not predicated on charity."^{36/}

^{33/} FSA Instruction 403.1, dated 8-25-43.

^{34/} Rehabilitation was also considered more desirable than relief from the standpoint of the recipient's attitudes and morals, just as work relief was believed superior to direct relief.

^{35/} Lawrence W. Westbrook, "Rehabilitation of Stranded Families," Annals American Academy of Political and Social Science, 176:74-79, November 1934.

^{36/} Memorandum, November 5, 1934, Harry L. Hopkins to Lawrence Westbrook cited in Rural Rehabilitation, vol. I, no. 1, p. 5.

Henry A. Wallace, as Secretary of Agriculture, in testimony on May 27, 1940 said, "It is, of course, far cheaper for the Government to help these families get re-established in farming than it is to provide relief for them in the cities or on the highways. From a social standpoint, there is no comparison between the two methods. Work relief in the cities costs about \$800 per family per year. Even rural work relief costs from \$350 per year upward. Rehabilitation — counting all losses on loans, the cost of supervision, and every other item of expense -- costs only about \$72 a year per family."37/

2. To Preserve, Reinforce, and Perpetuate the Family-type Farm.— National land policy has traditionally been directed, in theory, toward the encouragement of the family-type farm. The belief in a political economy based upon the individual's owning and working his own farm has been an ideal of long standing in the Department of Agriculture, and in the Nation at large. The assumption has also been that the inherent and superior values ascribed to rural life can best be realized through the traditional owner-occupied and operated type of farm economy.38/

The growth of commercialized and mechanized agriculture has been looked upon as conducive to the development of corporate large-scale holdings and the wiping out of family farms. This concentration of holdings was seen as responsible for the displacement of many farm families, causing them to need the assistance of the rehabilitation program. On the other hand, attempting to rehabilitate families on units too small and land too poor was also an obstacle to attaining economic security. The family farm defined as one large enough to produce a living for the family and pay necessary expenses but small enough so little or no hired labor is required — has therefore been seen as a means of implementing rehabilitation for families already poor, and in preventing the need for rehabilitation of other families. The possible number of family farms, as defined, will vary with the level of living established as the minimum desirable and the size of farm required under a particular system of farm organization to provide the income necessary to support the level of living and pay other expenses. If, to these two variables, is added the qualification that the farm provide full and productive employment of the family labor, the potential number of family farms is still further changed. The wartime rehabilitation program was pointed in the direction of farm units of the family type which would use available labor fully and efficiently.39/

37/ Cited in Report of the Administrator of the F.S.A., 1940, p. 9.

38/ See J. M. Gaus and L. O. Wolcott, Public Administration and the United States Department of Agriculture, Public Administration Service, Chicago, 1940, pp. 17 and 73, for assumptions held among U. S. Department of Agriculture administrators which have been important in policy determinations.

39/ Letter C. B. Baldwin, Administrator, FSA, to all county personnel, Aug. 26, 1942.

3. To bring about a better adjustment of population and land resources and land conservation.- Under the Resettlement Administration a basic assumption was that the cause of much rural poverty was a faulty relationship of population and land, wherein the people were victims of mistaken policies of land settlement, the exploitation of natural resources, and improper cultivation of the soil. 40/ Rehabilitation by resettlement was the first and was once considered to be the major attack to correct this maladjustment, but policies and measures connected with rehabilitation in place were also useful. For example, the denial of loans to applicants who were living in an area designated as unsuitable for a certain type of farming could prevent the perpetuation of undesirable land use practices and encourage the applicant to move to a location that had more farming opportunities. Likewise, the discouragement of migration to areas of limited opportunity helped to lessen the danger of new man-land maladjustments.

Loss and depletion of the soil resulting from exploitative farming practices were seen as costly to the Nation, and responsible for increasing pressure on land resources. Not only individual families, but the Nation, stood to gain through encouragement of husbandry designed to save soil and maintain fertility.

4. To achieve full utilization of manpower in the low-income farm population.- This objective was a war measure. In fact, by the fall of 1942 it became a major goal with rehabilitation per se avowedly remaining as an objective "only insofar as the fullest and best use of the resources of these families in the production of food and fiber for war contributes to their rehabilitation." 41/ The wartime goal has been based upon the assumption, widely supported, 42/ that the low-income farmers constituted a vast reservoir of under-employed and unproductively-employed manpower and upon the further supposition that this reservoir could be utilized, with the aid of rehabilitation and other devices, to make a substantial contribution to the Nation's war needs, especially in agricultural production.

40/ First Annual Report, Resettlement Administration, p. 1. Report of the Administrator of the Resettlement Administration, 1937, p. 2.

41/ Letter, C. B. Baldwin, Administrator, FSA, to all county personnel, Aug. 26, 1942.

42/ See for example, Paul J. Jehlik and Olaf F. Larson, Obstacles to Increased War-Food Production by Low-Income Farmers, U. S. Dept. of Agr., FSA Release No. 3, 1942 Family Progress Report, June 7, 1943, Table 5; testimony of John D. Black before the House Committee Investigating National Defense Migration, Feb. 13, 1942; Donald R. Rush and Phillip F. Aylesworth, "War and the Low-Income Farmer," Land Policy Review, Jan., 1942, pp. 3-5; Philip G. Hammer and Robert K. Buck, "Wasted Manpower in Agriculture," Land Policy Review, Apr. 1942, pp. 9-18; John C. Ellickson and John M. Brewster, "Manpower and the American Farm Plant," Land Policy Review, May 1942, pp. 17-22; Claude A. Wickard, "How Small Farms Can Help," radio talk June 26, 1942; Rainer Schickele "Small Farms Can Produce More," Iowa Farm Economist, July 1942, pp. 8-10.

It was recognized that some of the under-employed were expected to go into the armed forces and a large number into industry, and that to bring the remainder into full agricultural production a variety of measures would be needed. For the latter, a large group could make the maximum contribution on their present farms if provided with credit, supervision, and the other aids to make the best use of land and labor. Others on poor land or too small units would have to relocate on better land or acquire more land if they were to be fully productive. Still others could best utilize their capacities by working as farm laborers. 43/ Byproducts of bringing these low-income groups into more productive employment were expected to include retirement of many of the poorest farms from cultivation and the combination of small vacated farms into more efficient family-farm units.

For those whose labor was to be best utilized by remaining as farm operators, emphasis was first, to produce at home the food needed by the family and second, to produce a surplus for market. Stepped-up food-production goals, with the continuation of the war, emphasized the need for a marketable surplus. This, in turn, was accompanied by a policy of making new loans only to farmers who had the ability and resources to make substantial increases in war crops and products. Available supervision tended to be concentrated on the group of borrowers who could show production results.

A possible danger of the pressure to get quick response in terms of increased production was that the disadvantaged groups located on inadequate units and poor land would be neglected and even placed in a relatively more disadvantaged position. This danger was intensified to the extent that there were not constructive measures (through training, job placement, and other services) to facilitate the employment in industry or elsewhere in agriculture of such groups, thus compensating for not arranging for them to take part as farmers in the war program. Also not to be overlooked are the possible postwar consequences for those who gave up the modicum of security provided by even poor land and too-small farms to go into a war job off the farm.

5. To make available to all our citizens the opportunities of democracy, so that they might have a stake in it.— With the war came an awakened consciousness of the necessity of strengthening democracy. There was realization that many people in America — among them the handicapped group in agriculture — had little or no stake in democracy. 44/ People with no stake could not be expected to have a high morale; it was feared they could even "constitute fertile soil for Fifth Column activity." 45/ For people to be more than willing to defend their country, they must believe they have a country worth defending.

43/ Mobilizing Farm Manpower for War Production, Farm Security Administration, Dec. 14, 1942.

44/ Raymond C. Smith, "The Social Significance of the FSA Program in View of Present World Conditions," abstract of address delivered at Region III FSA Regional Conference, Sept. 13, 1940; Howard R. Tolley, The Farmer Citizen at War, the Macmillan Co., New York, 1943, pp. 12-13, 177.

45/ Farm Security Administration and Defense, Farm Security Administration, Washington, D. C. (n.d.)

Taking part in the Food for Freedom program was looked upon as giving under-employed farmers some opportunity, giving them some sense of having a part in the war effort. Beyond that the contention was for "a powerful effort to open up for the Nation's low-income farm population a better way of life, a future, a new world of opportunities. There must be developed vocational opportunities for the young people on the low-income farms, tomorrow's citizens who can find hope only through opportunity to develop their abilities and thus become self-reliant through the use of their labor. There must be opportunities for good education in elementary and secondary schools, for training in special skills, for normal intellectual development.

"There must be opened up to low-income farm people the opportunity to become an important part of the farm community, to close the gap that seems to stand between the disadvantaged and the more fortunate in agriculture. There must be the opportunity for neighborhood activities, for discussion groups, for community recreation, for free expression of religious convictions." 46/

It should not be inferred that making democracy work had not been a goal of rehabilitation before the war. The fact is that rehabilitation borrowers had been encouraged to exercise their civil rights and to take part in decisions that affected them. But the wartime situation brought a clarification of this objective.

The following objectives are those that have been dropped or greatly de-emphasized:

1. To rehabilitate farmers without adverse effects on the commercial economy.- This objective applied particularly to the early stages of the rehabilitation program under FERA, but was continued in some measure until almost the outbreak of the war. This was a facet of the theory that if the products of the people on relief entered commercial channels, the market would be depressed and more people would be thrown on relief. At the time the rehabilitation program was started a fundamental assumption was that the cause of the depression was surplus production in relation to effective demand both in agriculture and in industry, and that the way to bring recovery under the conditions was to reduce the surplus. At the least, there was a fundamental maladjustment between the supply of and effective demand for our agricultural products. 47/ This assumption was accompanied by the dismal suggestion that literally millions of people would never again find productive employment within the limits of the orthodox economic organization. They would be stranded. Westbrook said, "The assumption by the general public that unemployment is a product of the depression, and that after the depression only a few men will be without jobs, is tragically erroneous ... technological development in industry, depletion of natural resources,

46/ Hammer and Buck, op.cit.; also James G. Maddox, A Statement of the Role of Low-Income Farm Families in the War Effort, presented before the House Committee Investigating National Defense Migration, Farm Security Administration, Feb. 13, 1942, pp. 23-24.

47/ "The Rehabilitation Program," Monthly Report of the Federal Emergency Relief Administration, August 1 through August 31, 1935, p. 15.

obsolescence of industries, and regulated production of agricultural commodities have all contributed to make families stranded." 43/ He noted drought as a cause of stranded populations in the dry areas. Technological developments were considered as having more serious effects than all other causes combined. Most of the heads of the industrially stranded families were foreseen as unacceptable to high-speed modern industry.

At the start of the rehabilitation program it was noted, "Generally speaking we now have enough farmers in the United States to produce all the farm products that the domestic and foreign markets will consume at prices that will enable farmers to make a living." 49/ Hopkins explained that despite the complaints that there were already too many farmers, "There is no visible future in industry for them; the cities are overcrowded with industrial unemployed." 50/

In view of the situation, the action indicated at the start seemed to be production for use on a subsistence basis and the barter of surplus production with other relief and rehabilitation families; in short, measures to foster a barter and production-for-use economy parallel to the commercial economy so as not to disrupt the latter.

The promotion of subsistence farming and of barter exchange had wide support. 51/ 52/

The wisdom of developing a dual economy seems to have been challenged by Paul V. Maris when in his policy interpretations he cautioned, "Products that can be disposed of through regular channels should be encouraged among farmers who are being rehabilitated on the basis of full-time agriculture. While it is true that the Surplus Relief Corporation may provide a market by purchasing for people who are on relief, it is better to develop a production program that will not have to be revamped when emergency relief is abandoned." 53/

The shift away from this early objective was rapid. It was completely repudiated by wartime efforts to achieve maximum production.

2. To keep the maximum number of people on the land.- Some may question that this has ever been a goal, in view of the recognition that there were "too many farmers." Yet it was an objective in the early program. It was partly a reflection of the dark outlook that industry would never again employ as many people as it once had, and that even after recovery there would be a residual of stranded population. For these, the maximum security could be had on the soil where at least a part of the living could be produced. The view was popular. Henry I. Harriman, as president of the U. S. Chamber of Commerce asserted, "The

48/ Westbrook, op.cit.

49/ Objectives and Suggested Procedure for Rural Rehabilitation, p. 4.

50/ Hopkins, op.cit.

51/ See Lord and Johnstone, op.cit., pp. 4-37.

52/ Address by Howard R. Tolley before Extension Conference, Ames, Iowa, Oct. 18, 1938, cited in Rural Rehabilitation, vol. I, no. 1, p. 8.

53/ Rural Rehabilitation, vol. I, no. 2, p. 14.

long-time remedy for unemployment is to develop a form of life in which the worker is, in part, independent of wages and can raise a substantial portion of his own food in the garden surrounding his own home, in a suburban area."^{54/} L. C. Gray, then director of the Land Utilization Division of the Resettlement Administration, commenting on the slight prospect of an early solution to industrial unemployment said, "It is evident that our national safety lies in the direction of making it possible for a larger proportion of our population to find a secure foothold on the land."^{55/} He added, "This does not necessarily mean a further amplification of an already embarrassing surplus of commercial agricultural products."

Acceptance of the assumption that there are certain inherent and superior values in rural life was also at the root of this objective. Westbrook wrote, "...our farm-born American culture is threatened by the cities pulling our people away from the vital earth ... American culture should also reach the heights or fall back in proportion as it maintains contact with the earth. It was encouraging to see hundreds of thousands of Americans turn toward the farm in 1931 and 1932 ... there are more than three million farm-born people in the open country today who would have moved to the city in the past few years if city-ward migration had continued at the same rate as in the pre-depression decade. It is our purpose to provide economic and social opportunities in the rural areas which will prevent such resumption of that movement to the city."^{56/} If the objective of keeping the maximum population in agriculture also reflected the view that such a policy was wise from the standpoint of encouraging an increase in the Nation's population growth, the evidence is not decisive.

Gradually this goal was modified, almost reversed. By 1941, the FSA administrator's annual report merely mentioned that rehabilitation helped "to root in the land needy families who want to stay there." As the program went on a wartime basis, it was recognized that not all low-income farmers and rehabilitation borrowers had enough resources to provide full employment for all the available family labor and that some workers must leave their own farms if they were to contribute substantially to wartime production. For the most part, such positive measures as were taken tried to guide workers into farm production or into part-time industrial work rather than encouraging complete severing of ties with the land. John D. Black, in testimony before the Tolson committee, thought that not enough effort was being directed to getting workers out of unproductive agriculture into industrial work where they could be more productive.^{57/}

^{56/} Lawrence W. Westbrook, "Culture Must Be From the Soil," Rural Rehabilitation, vol. I, no. 2, p. 28

^{57/} John D. Black, statement before the House Committee Investigating National Defense Migration, Feb. 13, 1942.

Keeping the maximum number of people on the land was of course inconsistent with the later objective of supporting family farms of the type outlined. A special committee appointed by Claude Wickard, Secretary of Agriculture, recommended a Departmental policy of working toward the establishment and maintenance of efficient family-size owner-operated farms, recognizing that this objective is inconsistent with the alternative objective of maintaining opportunity in agriculture for the maximum possible number of farm families. 58/ The committee recommended that the Department take the stand that it "does not believe that agriculture should be made the dumping ground for the industrial unemployed" and "that only as many farm families should be permanently engaged in agriculture as can be afforded an opportunity to maintain a reasonably adequate level of living." Further, "farm people for whom efficient family-size farms cannot be established, and who otherwise are unable to find full employment in agriculture, should be assisted in finding opportunities to serve the Nation in nonagricultural vocations."

3. To Discourage Undirected Migration of the Farm Population.-- Although the view that the man-land ratio was maladjusted in many areas called for a reduction in the population pressure by such means as resettlement, it was seen that undirected migration could create added problems. It was known that the areas of poorest land were those most generally the destination in the back-to-the-land migration. Drought-stimulated movement resulted in distressing situations in other areas, as on the Pacific coast. The migrant families frequently did not benefit from their moves but became migrant laborers often dependent upon public aid, or they settled upon land poorly suited for farming or costly to bring into production. Primarily by the dissemination of information about farming conditions in States to which drought refugees were going in large numbers, an effort was made through rehabilitation personnel to discourage haphazard moving around that would not benefit the individual or society. The contention was that "...people ought not to be encouraged to move unless they can be directed to some place where their opportunities to make a living will be definitely better than they are. This applies especially to people who have little or no money. Such people should stay where they are unless they can go directly to some specific farm or job which will return them an immediate livelihood without requiring any capital investment. Needless to say, such opportunities are rare." 59/

This particular objective was most pronounced during the years of acute distress from drought and depression.

4. To Foster Farming as a Way of Life Rather than as a Commercial Enterprise.-- The commercialization of agriculture was seen as the cause of insecurity for thousands of farmers who put all their efforts into providing cash crops for market and little or not effort into producing their own necessities. Losses of markets and low prices resulted in inability to pay debts that had been contracted when prices were high and markets were good.

58/ Cited by Mordecai Ezekiel, The Shift in Agricultural Policy Toward Human Welfare, for delivery before American Economic and American Farm Economic Associations, Dec. 29, 1941.

59/ Resettlement Information Service, Bul. No. 1, Resettlement Administration, Washington, D. C., pp. 1-2.

The one-crop farming that so frequently accompanied commercialization was seen as exploiting the soil -- a basic resource of the Nation. In contrast, farming as a way of life was seen as a means of conserving the soil for future generations and of absorbing the shock of fluctuations in the price and market economy for the present generation.

A further advantage attributed to farming as a way of life was that, in contrast with large-scale farming, it made possible the support of a larger number of people on the same acreage of land. ^{60/} The essence of this farming as a way of life was giving primary emphasis to home production of most of the family's food in contrast to primary emphasis on production for market; on farm-enterprise diversification rather than specialization on one cash crop; and the use of soil-conserving and building rather than soil-destroying practices. Small family-operated holdings were a corollary of this system of farm organization and rural culture.

Certain elements of this goal have persisted but the general objective has been subordinated to the goals of efficient family farms and effective use of manpower.

Causes of Rural Poverty Suggested by Objectives.— The goals projected for rehabilitation and the measures adopted to implement the achievement of them are pretty good reflections of contemporary analyses of the causes of rural poverty. In the early years the tendency was to interpret distressed conditions in terms of a single cause -- that is, surplus production in relation to effective demand, misuse of land and other natural resources. With experience and study the causes were viewed as complex and multiple, the newer list usually including such factors as one-crop farming, tenant farming, certain applications of acreage-reduction programs, ignorance of diversified farming, poor land, heavy farm indebtedness, commercialization of agriculture, technological improvement, high birth rates and population pressure, collapsed foreign markets, lack of land resources, insecurity of tenure, poor health, and high cost of credit. Thus some of the causes were personal attributes of the poverty-stricken. Others were functions of the community and society. Some were of a temporary nature. Others were of long standing. It may be noted that the list of causes infrequently included personality and family maladjustments and the cultural and institutional forces making for a subordinate socio-economic status.

^{60/} See H. M. Coverly, "The Dilemma of the Land Hungry," Land Policy Review, Sept. 1940, pp. 20-24.

CHAPTER 4

ADMINISTRATIVE STRUCTURE AND FUNCTION *

This study is not concerned with evaluating the administration of the standard rural rehabilitation loan program. Neither is it directly concerned with administrative processes. Yet to have the picture of the way the program operated it is necessary to describe the administrative organization in broad outline. This organization and the way it functions have a definite bearing on the rehabilitation process.

The administrative framework within which the rehabilitation program has been conducted falls conveniently into two distinct categories. Under the FERA, rehabilitation was a decentralized program administered by the respective States subject to the policies laid down by the national agency which exercised veto power by virtue of its control of funds. Under the RA and the FSA, rehabilitation was a Federally administered centralized program with a large measure of administrative responsibility at the regional level.

Under the FERA State Rural Rehabilitation Corporations

National and Regional Levels. Within the FERA, the Division of Rural Rehabilitation and Stranded Populations had responsibility at the national level for rehabilitation and the associated rural industrial communities, submarginal land purchase, and community work centers. The Division's responsibility was primarily (1) formulating rehabilitation policy, (2) enlisting the cooperation of the State Emergency Relief Administration in the various States in carrying on a rehabilitation program in line with this policy, and (3) approving the rehabilitation plans and budgets submitted by the States.

The national staff was small. As late as November 15, 1934 there were only 16 members of the Division. The majority of this staff were engaged in activities other than rehabilitation "in place."

Liaison between the national office and the States was through a staff of regional rural rehabilitation advisers, 1/ each of whom was a member of the staff of the regional representative of the FERA and who had co-determinus territory.

Closely related was the Agricultural Rehabilitation Section of the AAA. The head of that division at the time said creation of the section was suggested by the close relationship of the RR program to established activities of the U. S. Department of Agriculture and the Land Grant Colleges at many points. 2/ The personnel of the section was drawn from the Extension Service in different areas of the country. One member functioned virtually as a member of the rehabilitation staff. 3/ The

* Prepared by Olaf F. Larson, Bur. Agr. Econ., U. S. Dept. Agr.

1/ As of November 15, 1934 there were 10 regional advisers.

2/ Cited in Rural Rehabilitation, vol. I, no. 1, p. 9.

3/ Paul V. Maris, Origin and Development of the Farm Security Program, p. 9.

duty of these men was to promote the coordination of the rehabilitation program with the Agricultural Adjustment program and to enlist the support and cooperation of the State Extension Services. 4/ They and the FERA advisers together were expected to confer with the State rehabilitation and agricultural extension workers and advisory committees for the purpose of planning the cooperation of these groups at the State and county level in carrying on the program within each State. They were to advise with the Extension Service and Relief Administration regarding selection and qualifications of personnel to be employed and to study the progress and success of rehabilitation activities. Thus, although within a public-assistance program, rehabilitation from the beginning of Federal activity was closely meshed with the U. S. Department of Agriculture.

The State Level.- 5/ The State emergency relief administrations organized their own rehabilitation divisions and selected a director of rehabilitation who was administratively responsible to the State emergency relief administrator and, if in line with national policy, acceptable to the State director of the Agricultural Extension Service. A home economist, usually from the Extension Service, was frequently employed as assistant director in charge of home rehabilitation. Technical specialists were recommended by the State extension director. Recommendations of these specialists with respect to agricultural practice and policy were to be in accord with those of the State Extension Service.

To avoid duplication of administrative machinery, certain functions such as purchasing, auditing, and disbursing, were carried on by the established divisions of the State emergency relief administration. The social service divisions supplied budgets on the basis of which subsistence goods were advanced to rehabilitation families.

State rural rehabilitation corporations were organized, usually by special enactments of the State legislatures, as legal entities to carry on the financial and business transactions of the rehabilitation division, the personnel of which served as agents of the corporation. Federal funds allotted to the State for rehabilitation were deposited in the corporations for disbursement. The corporations could hold title to or lien against real property, serve as payer and custodian of notes covering advances to families, receive payments on obligations due the corporation, and buy, sell, and lease and perform other business functions in furtherance of the program. The corporation board of directors typically included the regional representative of the FERA, the State emergency relief administrator, the State agricultural extension service director, the regional director of the Land Policy Section of the AAA, and three citizens of the State selected by this group of public officials. The directors held office by virtue of shares of stock issued to them in consideration of services rendered. These shares were pledged to the Federal Emergency Relief Administrator as a guarantee that funds granted would be properly expended. Upon termination of the program under

4/ Objectives and Suggested Procedure for Rural Rehabilitation, p. 10.

5/ This and the following two sections are based largely on Objectives and Suggested Procedure for Rural Rehabilitation; and "The Rural Rehabilitation Program," Monthly Report of the Federal Emergency Relief Administration, Aug. 1 through Aug. 31, 1935, pp. 14-24.

FERA the shares were pledged to the Resettlement Administrator. The board of directors usually served as the advisory committee to the State administration and the executive officer of the corporation was usually the rural rehabilitation division director. In September 1934 instructions called for adding the State supervisor of vocational teachers of agriculture and of home economics to the State advisory committee. In January 1935 either the regional FERA or the regional AAA representatives were dropped, the decision resting with the FERA representative.

As the program was worked out under State control, the rehabilitation activities and procedures varied considerably from State to State.

County and District Levels.- Between the time the rural rehabilitation program was initiated and the time the rehabilitation corporations were organized, in about two-thirds of the States funds for this purpose were reallocated to the counties and the county relief administrators were left to initiate whatever rehabilitation programs they deemed advisable. 6/ This procedure contributed to the lack of uniformity which characterized the rehabilitation program under State control.

National instructions called for employment of a county rehabilitation supervisor in each county that had 50 or more rural relief cases. This supervisor was administratively responsible to the county relief administration and dependent for technical information upon the county agricultural agent. He was to be recommended by the State Extension Service for appointment by the State Relief Administration. His job was to locate cases for rural relief, study the farm and family, work out a rehabilitation program, arrange for procurement of capital goods and for later repayment, supervise the families, and direct his assistants.

The assistant county supervisors, at first called "farm foremen," were expected generally to be on a part-time basis and selected from outstanding farmers in the community who were familiar with good agricultural practices. Their major function was to visit rehabilitation families periodically to check on progress and to give practical advice on methods of production and management.

Home rehabilitation assistants were frequently employed. They were administratively responsible to the county relief administration, recommended by the State Extension Service, and dependent upon the Extension Service for technical advice. These assistants were preferably selected from among women in the county trained in home economics by the home demonstration agent and specialists. Their major duty was to make periodic visits to the homes of rehabilitation families to help plan family living budgets and to help plan and give advice on food production and preservation, nutrition, clothing, and other problems of household management.

In both agriculture and home economics provision was made for the employment of district supervisors to work in several counties if necessary.

6/ G. E. Tichenor, Miscellaneous Facts About the FERA and State Corporations - Predecessors of the Farm Security Administration, type-written MS., 2 pp.

Use of Citizen Committees.- The advisory committee at the State level, usually the directors of the corporation, were to pass upon and approve State plans and budgets submitted to FERA. County and community advisory committees were recommended.

The county committee, set up in most counties, was to be appointed by the county relief administration to advise on the rural rehabilitation program. The county agent and the home demonstration agent were to be ex officio members and technical advisers to the committee. In Alabama, for example, the county committee consisted of the county director of relief, the two Extension Service representatives, chairman of the local welfare board, a business man, and a farmer.

Where the number of rehabilitation families was large enough to justify, the county committee was to appoint community advisory committees, to consist typically of two landowners, and one tenant selected by the county committee, and one displaced farmer selected by the community committee. The vocational teachers of agriculture and home economics were to be invited to serve as advisers. The community committee's function was to advise the rehabilitation staff as to the need and eligibility of families. In practice, few if any community committees were set up.

Relation to other agencies.- The close relationship between the rehabilitation program and the Agricultural Adjustment Administration and the Extension Service, dating from approval of the general objectives and procedures of FERA's rural rehabilitation program, has been portrayed. Coordination with the AAA was principally at the State, regional, and national levels but relations with the Extension Service extended down to the county level. It will be noted that major State and county personnel were to be recommended by or at least be acceptable to the Extension Service. It was not expected that Extension workers should direct the activities of the rehabilitation staff, pass on cases to be rehabilitated, or supervise operations of the individual farm family. Rather, they were to assist in outlining plans and giving subject-matter information and advice. National procedure specifically provided that rehabilitation home economists "should not engage in group activities and demonstration work such as characterizes the activities of the county home demonstration agents."

As an example of the close relation, in Louisiana two conferences a month were scheduled as the minimum between the State director of rehabilitation and the director of the Extension Service. 7/

In instances where the problem of excessive farm indebtedness was important, the Farm Debt Adjustment Service of the Farm Credit Administration lent its assistance.

Under Resettlement Administration and Farm Security Administration

When the responsibility for the program was transferred from the FERA to the Resettlement Administration on June 30, 1935, it was taken out of the hands of the States. Centralized under Federal authority, more

7/ Rural Rehabilitation, Feb. 15, 1935, p. 3.

uniformity in policies and procedures were possible. The general administrative framework of both the RA and the FSA have had much in common, both having had regions as a key administrative unit (fig. 1). In both agencies all divisions at the national level had no direct administrative jurisdiction over their counterparts in the regional organization. The rehabilitation program under both agencies has had the national, regional, State, district, and county office levels. Both have made use of citizen committees. Because of these common characteristics, since rehabilitation reached its most specialized administrative development under the FSA, description of the framework under the RA may be limited to a few distinctive facts.

Features under the Resettlement Administration.— Until December 1935, rehabilitation and resettlement were combined in one division of the RA at the national level, ^{8/} although the two were separate at the regional level. At the State, district, and county levels the major concern was rehabilitation in place. The union of the two activities, soon found to be impracticable, was a reflection of the minor role first assigned to rehabilitation in place in comparison with major phases of the RA, land utilization and resettlement. Suburban resettlement was a minor phase. Other divisions such as finance, personnel and legal were intended to service the entire organization.

Activities of the rehabilitation division included the standard loan program, grants, emergency feed and seed loans, farm debt adjustment, loans for community and cooperative services, and control and management of the State rural rehabilitation corporations transferred to the RA by the States. ^{9/}

The land program transferred to the RA had developed on a regional basis which was adopted for the entire organization. For a short time there were two coordinate directors in each region — one in charge of resettlement and rehabilitation, one in charge of land utilization — but this dual arrangement was soon discontinued. Use of regional offices brought a shift to them of many functions formerly performed in the States by the corporations.

FSA at the National Level.— Administrative organization and functions have been constantly changing. Yet the major features are represented by this description of the FSA as of the fall of 1943.

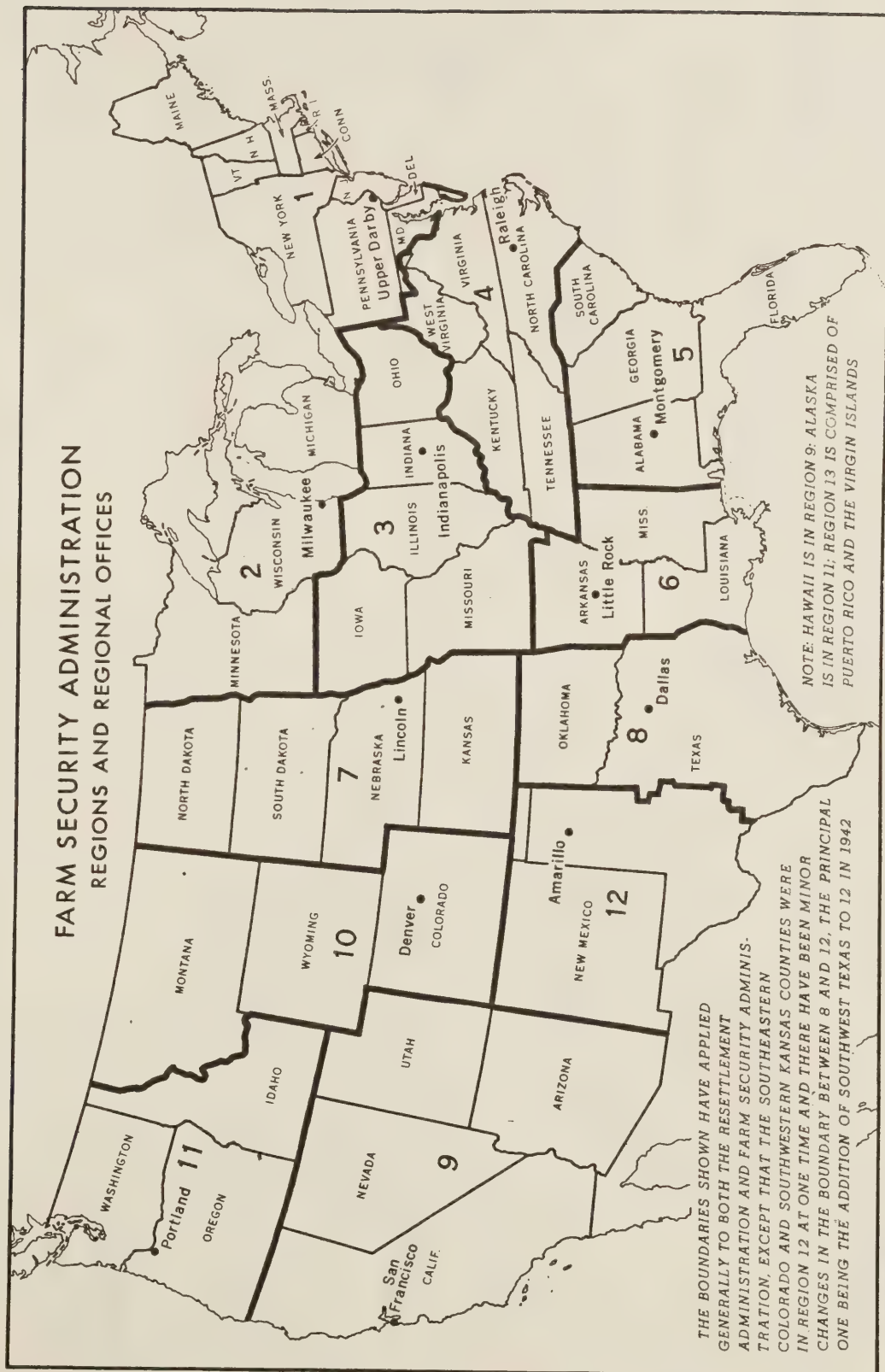
In charge of the entire FSA program was an Administrator, responsible to the Secretary of Agriculture (fig. 2). He was aided by assistant administrators and special assistants and by heads of Divisions who acted as consultants but who had no direct authority in the field. ^{10/} In practice, the national division directors consulted with field staffs and made recommendations in the field but had no authority to impose any recommendations except through the Administrator to the

^{8/} Resettlement Administration Order No. 2 (Revision 1), December 9, 1935.

^{9/} First Annual Report, Resettlement Administration, pp. 9-16.

^{10/} Exceptions were the Divisions of Finance and Investigation, and the Office of the Chief Engineer, which directly supervised their own staffs in the field.

FARM SECURITY ADMINISTRATION REGIONS AND REGIONAL OFFICES



SECRETARY OF AGRICULTURE

ADMINISTRATOR

ASSISTANT ADMINISTRATORS

INVESTIGATION DIVISION

ADMINISTRATIVE ANALYSIS DIVISION

BUSINESS MANAGEMENT DIVISION

PERSONNEL DIVISION

BUDGET AND FINANCE DIVISION

INFORMATION DIVISION

PROGRAM AND REPORTS DIVISION

SPECIAL ASSISTANTS

MEDICAL OFFICER

OFFICE OF CHIEF ENGINEER

REGIONAL ENGINEER

MANAGEMENT DIVISION

COOPERATIVE DIVISION

RURAL REHABILITATION DIVISION

FARM OWNERSHIP DIVISION

FARM MANAGEMENT

HOME MANAGEMENT

FARM DEBT ADJUSTMENT AND TENURE IMPROVEMENT

COLLECTION AND SECURITY SERVICES

EXECUTIVE ASSISTANT

REGIONAL DIRECTOR

INFORMATION ADVISOR

ADMINISTRATIVE ANALYST

SUBSET OFFICER

PROGRAM ANALYST

PERSONNEL

RURAL REHABILITATION

PRODUCTION AND LOAN SUPERVISION

HEALTH SERVICES

COOPERATIVE SERVICES

FARM OWNERSHIP

BUSINESS MANAGEMENT

STATE DIRECTOR AND STAFF

FSA ADVISORY COMMITTEE

DISTRICT SUPERVISOR AND STAFF

COUNTY SUPERVISOR AND STAFF

COUNTY FSA COMMITTEE

INVESTIGATION

TYPICAL REGIONAL OFFICE

TYPICAL STATE OFFICE

TYPICAL DISTRICT OFFICE

TYPICAL COUNTY OFFICE

NATIONAL OFFICE

NOTE: THE STRUCTURE AT THE NATIONAL LEVEL WAS THAT APPLICABLE TO THE REGIONAL LEVEL AS OF OCTOBER 4, 1943.

FINANCE DIVISION FUNCTIONS THROUGH FOUR AREAS, EACH SERVING SEVERAL REGIONS.

NOTE: DIVISION OF THE NATIONAL OFFICE OF THE FEDERAL FARM LOAN ADMINISTRATION, D.C. AND DETAILS SHOWN ONLY FOR RURAL REHABILITATION

NOTE: DIVISION OF THE NATIONAL OFFICE
BETWEEN WASHINGTON, D.C. AND
CINCINNATI, OHIO NOT SHOWN.
DETAILS SHOWN ONLY FOR RURAL
REHABILITATION

* THE STRUCTURE AT THE NATIONAL LEVEL WAS THAT APPROVED AS OF AUGUST 31, 1943, AND, ON THE REGIONAL LEVEL AS OF OCTOBER 4, 1943.

▲ FINANCE DIVISION FUNCTIONS THROUGH FOUR AREA FINANCE OFFICES, EACH SERVING SEVERAL REGIONS.

BUREAU OF AGRICULTURAL ECONOMICS

regional directors. Rural rehabilitation was one of the several divisions. 11/ Its specific functions, although modified from time to time, were mostly those covered in the following description:

A. To advise the Administrator with respect to policies and procedures regarding the development of a rehabilitation program outlined below; to observe for the Administrator, by field trips and analysis of reports the progress of the program and the general application of approved policies; and to furnish the Administrator with such reports as may be required. These functions will include:

1. The development and recommendation of criteria that will enable regional directors, within the limits of their jurisdiction to carry out a program of rehabilitation for low-income farm families based on the:
 - a. Making and servicing of loans and grants.
 - b. Development of sound farm and home plans.
 - c. Providing effective assistance and guidance in carrying out farm and home plans.
 - d. Rendering debt adjustment services to farm families.
 - e. Improvement of tenure relations between landlords and tenants.
2. Recommending the type of emergency assistance to be given in agricultural areas distressed by floods, droughts, insect infestations and other catastrophes.
3. Providing technical advisory and training services in the fields of farm management, home management, debt adjustment, tenure improvement, and credit and security management to all other operating divisions.
4. Providing technical assistance and guidance to regional staffs and to all other operating divisions for the work and services of the regional administrative supervision section.

11/ The Cooperative Division was once a part of the Rehabilitation Division; the medical officer was concerned with the health program which was a part of the Rehabilitation Division in the regions. Management represented the residual of the resettlement and suburban-development activities inherited from FERA and the RA. Farm ownership included the tenant-purchase program authorized by the Bankhead-Jones Act of 1937 and minor real estate loans developed under rehabilitation. The other divisions as of Aug. 1943 -- Investigation, Administrative Analysis, Business Management, Personnel, Finance, Information, Program and Reports, and the Chief Engineer -- were essentially service divisions for the main program activities and served Rehabilitation along with the other activities. A Labor Relations division was included in the Farm Security Administration until early 1943 when it was transferred to a war agency. Other divisions than those named have been included at various times but have been consolidated, renamed, or otherwise changed to result in the organization indicated in fig. 2.

- B. To recommend to the Administrator proper action on proposals referred to him.
- C. To coordinate the programs of this Division with related programs of the Department and other Federal agencies.
- D. To carry out, in collaboration with the appropriate training committees, a program of instruction for FSA personnel engaged in activities under the jurisdiction of this Division. 12/

Within the rehabilitation division, specialized sections were modified from time to time by addition, transfer, or combination. In 1943, there were four sections -- Farm Management, Home Management, Farm Debt Adjustment and Tenure Improvement, and Collection and Security Servicing. 13/ This was a smaller number of sections than at any time since 1938 but was the situation represented by figure 2. 14/

The Farm Management Section was to develop and recommend criteria to assist regional directors in ascertaining the financial needs of low-income farm families; in collaboration with Home Management Section personnel to develop and recommend criteria to enable regional directors to develop and guide the carrying out of related sound farm and home plans; to develop methods for teaching the proper use of credit through instruction and guidance in farm planning and operating; and to recommend procedure for the investigation of applicants for FSA assistance, the preparation and approval of loans and grants to individuals, and the supervision of such client's operations. 15/

The Home Management Section was to develop and recommend criteria to assist regional directors in the determination of low-income families' living problems as related to nutrition, health, housing, furnishings and equipment, financial management, family relations, education, and community interests; and to collaborate with the Farm Management Section in the development and recommendation of criteria to enable regional directors to develop and guide the carrying out of related sound farm and home plans.

The Farm Debt Adjustment and Tenure Improvement Section was to develop and recommend criteria to enable regional directors to provide and maintain

12/ FSA Instruction 012.12, dated Nov. 4, 1942.

13/ Ibid., with modification by Administration Letter 623, Nov. 25, 1942.

14/ FSA Administration Order No. 130, Revision 3, Dec. 3, 1938, had set up Debt Adjustment and Tenure Improvement as separate sections which were later consolidated, had provided for a Community and Cooperative Services section which became a separate division in 1942, and a Planning and Control section. Later the last-named was broken into (1) an Administrative Services section which in 1942 was made a part of the Administrative Analysis Division and later transferred to the Program and Reports Division, (2) a Planning and Analysis section which in 1942 became the Program and Reports Division.

15/ This and the following descriptions of section functions at the national level are based upon FSA Instruction 012.12, dated Nov. 4, 1942.

a service for all farmers 16/ and their creditors to provide better credit relationships; to develop and recommend criteria to enable regional directors to provide and maintain a service for low-income farm families and their landlords which would result in a satisfactory relationship of such families to the land; and to collaborate with other divisions in the FSA, other Bureau and Federal and private agencies, in developing and maintaining uniformity in the adoption and application of such policies and practices.

The Collection and Security Servicing Section was to develop and recommend criteria and routines to enable the regional directors to process loans, grants, and renewals; and to develop and recommend a program of account and security servicing to enable regional directors to control the several collection activities effectively.

From early 1942 until late 1944, the rehabilitation division and several other FSA divisions at the national level were divided into two offices. The administrator and division heads were in Washington, D. C., the rest of the national staff were in Cincinnati, Ohio, under an assistant administrator and with each division under an assistant director. This separation had disadvantages which led to its discontinuance.

FSA at the Regional Level.- The 12 regions in the continental United States have followed State boundaries except in the southwest where the Dust Bowl situation encouraged the crossing of State lines. Transportation facilities and costs along with special problems have sometimes determined regional lines.

The regional office has been a functional body responsible for carrying out agreed-upon programs in contrast to the national office which has been for program planning, policy making, and procedure devising. But regions, with the approval of the Administrator, might vary national policies to fit local needs.

The regional director was charged with carrying out the entire FSA program in his region. He was responsible only to the Administrator. In a region having a large case load there was a rehabilitation division headed by an assistant regional director. Where the case loads were small the farm ownership (tenant purchase) program was in the same division, but constituted a section in itself.

Organization within the regional rehabilitation division consisted of three sections: Production and Loan Supervision, Health Services, and Cooperative Services. The first of these embraced farm and home management, debt adjustment and tenure improvement, and collection and security servicing — all of which were separate sections at the national level. The other two sections embraced activities each represented by independent divisions at the national level but, because of their close relationship to other phases of rehabilitation, closely integrated administratively at the regional level. The functions of the latter two are described as follows: 17/

16/ Debt adjustment service was restricted to rehabilitation borrowers as of June 30, 1943.

17/ This and the following descriptions of section functions at the regional level are based upon FSA Instruction 013.1, Oct. 4, 1943.

The Health Services Section advised regional officials with respect to policies and procedures for the FSA health activities. It was to plan and develop a program of health services for FSA families involving medical and dental care, physical examination of designated groups of borrowers — physical rehabilitation of handicapped borrowers, environmental sanitation, health education, and special health and medical care surveys and studies. It was to collaborate with State and local health departments, medical and dental societies, and other Governmental and professional groups for the consideration of such problems and the development of approved health programs. The Section also worked with health associations and groups of borrowers to assist them in planning, organizing, and operating health service programs for their members. It made available health information and source material relating to health and medical-care plans to borrowers and to health associations or to other groups. When necessary, it used the educational and organizational services of the Cooperative Services Section in the development of group health and environmental sanitation services, and collaborated with that section in its supervision of such business aspects as the design, installation, and maintenance of accounting systems.

The Cooperative Services Section developed and recommended techniques and methods of neighborhood action or other borrower-group activities; assisted in developing group-activity methods to help low-income farmers make their maximum contribution to food production; assisted in the organization of joint-ownership and master-borrower group services, purchasing and marketing associations not requiring loans for membership or direct loans, health associations and groups, and veterinary or other associations not requiring loans for the purpose of furnishing capital. It supervised associations which were assisted by FSA by: Analyzing the business aspects of associations to determine whether they were operating successfully and whether the Government's interests were protected; recommending and directing justified changes in the organization and management of associations; and training association employees and officers in methods of proper management of associations. Also, it developed and installed appropriate bookkeeping, accounting, and reporting systems for associations in which FSA borrowers had substantial interests. It cooperated with the Health Services Section, as described. It also assisted in developing and supervising cooperative programs in designated communities or areas and in planning, developing and carrying out the Water Facilities program where applicable.

The rehabilitation division, like its counterpart at the national level, was serviced by other divisions and activities. 18/

FSA at the State Level:- Within the State, the entire FSA program was in charge of the State Director. He was responsible only to the Regional Director. The State Director occupied a key position by virtue of being the one who hired, fired, rated and assigned all personnel in the State.

18/ These included the Business Management and Personnel Division, the Information Adviser, and the Program Analyst, Administrative Analyst, and the Budget Officer. Finance was on an "area" basis, each of the four offices servicing a number of regions.

Typically, there was an Associate State Director in charge of home management. In some instances there were specialists in farm management, debt adjustment, and tenant purchase. Rural rehabilitation in place was the major activity of the State office.

The State office consulted with State officials, State colleges, and others regarding the rehabilitation needs of the State. It recommended changes and extensions of the program to meet those needs. It acted to coordinate the activities of all subordinates in the several phases of the Farm Security Administration program. Public relations within the State was also a duty of this office.

The State level is a natural one because so many other activities with which the program must be coordinated are organized on a State basis. Were it not for this, it might be desirable to develop the equivalent of the State level on a problem-area basis. ^{19/} At one time the State offices were the principal operating units, approving and processing loans. When these functions were transferred, the State offices were left primarily administrative responsibilities.

FSA at the District Level.-- Below the State level there were district offices having a District Supervisor, responsible to the State director. Usually there was also a home-management supervisor and a clerk. Each district included an average of about 7 county offices. The district office was responsible for the entire FSA program within these counties but in fact the activity was largely rehabilitation in place, although usually including the tenant purchase program. A major function was the supervision of subordinate (county) supervisors in making and collecting loans and supervising the farm and home operations of borrowers. District supervisors made a circuit of the county offices, and there approved loans, grants, and other actions. This lessened delay and served to make the decisions of the district official more realistic. They also developed and recommended policies for their district.

FSA at the County Level.-- The smallest administrative unit was the county office. This was in charge of the county supervisor, responsible to the district supervisor for most activities. The minimum county office usually had a supervisor, a clerk-typist, and a home supervisor who divided her time between two counties. Before war-period reductions, a typical office had the county and one assistant RA supervisor, one home management supervisor, and two clerks. The county office was responsible for carrying out all phases of the FSA program except re-settlement-type projects. Again, rehabilitation was the major activity and the tenant-purchase program, in designated counties, was secondary. However, other activities assigned at times have included the dairy-animal conservation program, farm labor, and relocation of families displaced as a result of land purchases for war purposes.

It may be said that the county office has been the spearhead of the entire rehabilitation program for it is at this level that policies are

^{19/} Oliver G. Brain, Administrative Levels. Talk given before Organization and Procedure Conference of the U. S. Department of Agriculture, June 2, 1942.

put into action. Applicants for assistance have their face-to-face contacts with the county office personnel. At this level applications for loans or grants are made; farm and home plans are worked out; supervision of farm and home operations is carried on; debt adjustment and tenure improvement are effected; health services, community services, and cooperative associations are organized; discussion groups are promoted; and collection is done.

More specifically, the duties at the county level have been described as to:

"supervise rural rehabilitation and (in designated counties) tenant purchase activities; inform potential borrowers and the general public about the work of the Farm Security Administration; receive applications for rehabilitation and tenant purchase loans, investigate the eligibility of applicants for such loans; where debt adjustment is necessary or advisable to attempt to obtain such adjustment from applicant's creditors; prepare loan agreements and farm and home management plans for families recommended for standard rehabilitation and tenant purchase loans; obtain necessary chattel mortgages to secure loans; see that the borrower family uses the monies provided by loans as stipulated in the loan agreement and farm management plan; visit each rural rehabilitation family, to see each tenant purchase borrower periodically, ascertain his progress and advise him on his farming problems; collect payments on notes and issue temporary receipts; approve or recommend approval of partial releases of mortgaged property; in defaulted cases to recommend to superiors the proper action to be taken; supervise the execution of renewal notes and mortgages; institute foreclosure proceedings when necessary; be responsible for the proper care of repossessed chattels until sold or transferred to new borrowers; receive applicants for emergency grants; nominate persons to serve on... County Committees and to perform other related duties." 20/

The rehabilitation program has been conducted in virtually all the counties of the United States but because of small case loads in some localities and pressure to restrict administrative costs, two or more counties have sometimes been handled as one unit. County offices have varied upward in number from about 2,000 to nearly 2,300.

Experiments in eliminating the county office and having county supervisors serve the same territory from the district office did not work out satisfactorily, the chief disadvantage being that the increased distance from the client to the district office reduced the personal contact too much between client and supervisor.

The FSA Agricultural and Operating Area Level.- In the summer of 1942 the Farm Security Administration developed and initiated the agricultural area technique as a foundation for program analysis, planning and

administration. 21/ An "area specialist" was interposed between the State and district levels with responsibility for developing an integrated FSA program for the area and coordinating execution of the program.

The area approach may be described briefly as follows: 22/

1. "Agricultural" areas -- 97 in number -- were delineated within States. Each area was fairly homogeneous with respect to resources, people, institutions, types of farming, types of problems, and levels of living.
2. Problems were analyzed, programs planned, and budgets prepared for each area.
3. For purposes of administration, "operating" areas -- 120 in number -- were delineated. These followed fairly closely the boundaries of the agricultural areas but were modified according to the size and shape of the latter and according to road conditions.
4. The FSA districts were continued within each operating area. In some cases district boundaries were changed to follow agricultural area lines but, in the main, district boundaries were established by administrative considerations.
5. An area specialist, responsible for problem analysis, program planning, and coordination, was placed in each operating area. Actual program execution remained in the hands of district supervisors.

The areas were a blend of cultural regions developed by sociologists, 23/ type-of-farming maps of the Bureau of Agricultural Economics and the land grant colleges, and field observation by FSA personnel. The basic premise was that the most objective action program would be the one which would take a general view of the whole situation rather than a "one-subject" view, thereby gaining a conception of the common problems that require a related series of actions. The State was regarded as too large for meaningful analysis, but confining the analysis to counties was too costly and tedious. Areas having relative homogeneity were therefore seen as the most practicable administrative solution to the need for analysis leading to planning and constructing programs aimed at actual needs and problems. Loans, grants, personnel, and travel allowances were to be allocated by areas so as to work on the most serious problems. Thus the rehabilitation program and related activities were to be built to fit the local situations.

In practice, certain difficulties, partly administrative and partly jurisdictional, arose in the operation of the area program. Part of

21/ A more complete discussion of the "area approach" is found in A Handbook on the FSA Agricultural Areas, Farm Security Administration, Program Analysis Report No. 24, Washington, D. C., Nov. 23, 1942.

22/ Based on unpublished manuscript by Robert K. Buck.

23/ Especially A. R. Mangus, Rural Regions of the United States, WPA, Division of Social Research, Washington, D. C., 1940.

the trouble could have been eliminated if all district boundaries had been adjusted to the new area boundaries. Other difficulties were laid to a lack of understanding of the area concept by some of the personnel. Then reduction in funds -- making staff reductions necessary at the time the area program was getting under way -- soon eliminated the position of area specialist and brought the abandonment of the area level in the administrative structure. Use of the area approach for analysis and planning purposes has continued to some degree.

FSA State Advisory Committees.-- Both the RA and the FSA continued the practice of using citizen committees which was initiated under the FERA. However, the function of the State committees appointed under the Federal agencies has been to advise rather than to review and approve. At one time there may have been as many as three State advisory committees, one for the entire program, one for debt adjustment, and one for tenant purchase, but there is now only one group.

This State committee was composed of nine members from different geographical areas of the State and representing as many of the major types of agriculture as possible. 24/

At least four of the members were persons actually engaged in farming. The other members were chosen from among farm organization leaders, farm editors, metropolitan editors, and others identified with or engaged in agriculture. Generally one or two persons whose interest in agriculture was from the standpoint of landlords or creditors were included. The State director of Agricultural Extension Service and the State director of Vocational Education might be included in the membership. At one time their appointment was required if they were willing to serve. Members of the committee served for 3 years and were not eligible for reappointment for 1 year. Each State FSA director notified his Regional director of committee vacancies created by resignations, declinations, or deaths. The Regional director submitted to the national office a list of 3 nominees for each vacancy in order of preference. That office selected from the list an appointee who was approved by the Administrator and his immediate superior. Provisions were made for limited compensation, traveling and subsistence expenses. The specific functions of the committee were:

1. To advise with respect to adapting broad national FSA policies to local conditions in the respective States, and to submit recommendations that may be helpful in shaping the future course of the FSA program.
2. To inform State and regional FSA officials of their own reactions and of the reactions of the public in general, to the FSA program.
3. To assist in coordinating the FSA programs with other activities, such as the Agricultural Adjustment Administration, Agricultural Extension Service, and the like.
4. To consider and advise concerning farm-debt adjustment activities.

5. To consider and advise concerning farm tenants' problems, including such matters as tenure and rental contract.

Committees elected their own chairman each year. The State FSA director served as executive secretary. Regional directors were responsible for instructing the committee members as to duties, responsibilities, and FSA policies and activities.

FSA County Committees.- The committee set-up at the county level has been modified several times. Functions have also been changed, so that as of 1943 the committee was not solely advisory but decided upon the eligibility of applicants for rehabilitation loans and the administrative action to be taken with respect to borrowers who had been on the program 3 or more years.

In general, the advisory committee plan established during the FERA period was continued without much change under the RA and FSA, until the tenant-purchase program was started in 1937. Debt adjustment had a separate committee carried over from activity under the Farm Credit Administration.

The Bankhead-Jones Farm Tenant Act provided (Section 42, Title IV) for establishment of a committee, at least 3 of whom were farmers, to perform certain duties in counties designated for the tenant-purchase program. In such counties, arrangements were made so that the tenant-purchase committee could also serve as the county rehabilitation advisory and farm-debt adjustment committee.

In 1941, the number of committees was increased to 4. ^{25/} In addition to the tenant-purchase committee which was to be continued, each county with a program was to have a Rural Rehabilitation Committee of 3 farm men or women, a Farm Debt Adjustment Committee of 2 farm men or women, and 1 person representing creditor interests, and an FSA Advisory Council. The Council had from 8 to 10 members, 3 members-at-large not serving on any of the 3 specialized committees and from 5 to 7 who did serve on them. One of the Council members-at-large could represent the FSA clients, and if desired by the regional director, could be elected by them. The other members-at-large were to represent such agencies as public welfare, public health service, public school system, extension service, vocational agriculture, and county government. Tenure improvement later came within the scope of the Debt Adjustment Committee.

Late in 1943 the four committees were consolidated into one composed of three bona fide farmers living on farms in the county. At least one member had to have been a tenant with experience operating a family-type farm. An alternate, a bona fide farmer in the county, was also appointed. Members were drawn from various sections of the county.

Qualifications for committee membership, in addition to being a farmer, included a sympathetic understanding of FSA objectives, being of good standing and judgment, having some interest and experience in community

service or as an active participant in some type of group activity, and having an understanding of good farm and home practices, soil management, credit, marketing, and related factors in the area. Members of the county committee served for 3 years, one membership expiring each year, and were not subject to reappointment for 1 year. 26/ The county FSA supervisor made the nominations for committee membership, transmitting his recommendations through the district supervisor and State director for the approval of the regional director. 27/ Provision was made for travel and subsistence but the compensation for services has varied. At times committeemen have not been paid.

The general functions of the committee in late 1943 corresponded to the duties of the former Advisory Council, being as follows: 28/

- "a. To cooperate with local groups such as county Land-Use Planning committees, AAA committees, and civic organizations in planning and developing coordinated action on community problems as they effect low-income farm families.
- "b. To advise with local FSA personnel in developing an effective program of rural rehabilitation.
- "c. To assist in informing lending institutions, supply and equipment dealers, business men of all types, and other local groups as to the objectives and methods of FSA.
- "d. To work with low-income farm families, explaining policies and underlying principles of FSA.
- "e. To encourage group discussions of all phases of community life, both in their local aspects and in relation to State and national problems, with particular emphasis upon the responsibilities of local communities in solving these problems, and to encourage group action consistent with the conclusions reached."

The functions with respect to rural rehabilitation placed considerable responsibility on the local committee, the duties being as follows:

- "a. To determine the eligibility of applicants for new RR loans and their need for FSA assistance.
- "b. To review once each year the status of all active standard RR borrowers whose loans have been outstanding three or more full crop years and make a determination as to

26/ The requirement that committeemen rotate was rescinded for the duration of the war as of Jan. 28, 1942. See FSA Instruction 403.2, April 4, 1943.

27/ An alternate serves only 1 year but may be reappointed to succeed himself. Members of both State and county farm debt adjustment committees started under FCA and continued under RA were appointed by State Governors.

28/ FSA Instruction 403.1, Aug. 25, 1943.

which of the following actions should be taken (the determination in each instance to be based on the progress of the individual borrower in relation to his resources and capabilities, his willingness and ability to profit by supervision, his enterprise and industry and the possibilities of successful operation in a reasonable period of time):

- (1) Recommend other local lending agencies for future financing.
- (2) Consider for a FO loan under Title I of the Bankhead-Jones Farm Tenant Act.
- (3) Continue with active supervision and necessary supplementary financing as a RR borrower.
- (4) Drop from further supervision and financing by FSA (accounts of borrowers in this category would continue to be served for collection purposes)."

The responsibilities for rehabilitation thus became much greater than those given to the former Rural Rehabilitation Committees. The latter had virtually no control functions, its duties including:

- "a. To advise with RR supervisors regarding farm experience, need and suitability of farm applicants.
- "b. To assist in solving problems of families involving psychological, moral and physical considerations.
- "c. To assist in developing among borrowers and applicants a feeling that farm and home planning, record keeping, home production of food and feed are important to their success.
- "d. To assist in developing group activities, including discussions, participation in community activities, and membership in cooperative organizations.
- "e. To help with certain types of problem cases."

The new committee in 1943 had the same responsibility for farm-debt adjustment and tenure improvement as did the former special committee. These functions were as follows:

- "a. To consider applications from farm families and creditors of farm families for voluntary debt adjustment, and to aid in effecting equitable adjustments.
- "b. To study the financial status of FSA applicants, borrowers, and other farmers, and assist them in understanding and solving their financial problems.
- "c. To explain to creditors improved credit policies which will be of mutual benefit to both creditor and farm family.

- "d. To make a careful study of the tenure situation of FSA borrowers to determine whether rents and purchase or mortgage contracts are equitable, and to assist in working out equitable arrangements with landlords, sellers, and mortgage holders.
- "e. To study the debt structure of associations or cooperatives whose services are used by farm families, and assist them in adjusting their debts in such manner that it will lessen the cost of improved service."

In addition to the duties indicated, the committees had prescribed responsibilities for the farm ownership or tenant purchase program. Training of the committee members was the direct responsibility of the district supervisors, acting under the State and regional directors' guidance. Committees elected their own chairman annually. The county supervisor served as executive secretary. Provisions were made for appeal of the committee's actions by RR applicants or borrowers.

Use of the committees varied from county to county depending upon the working relationship maintained between the county supervisor and the members and upon the interest of the members in the program. Giving the committee responsibility for determining eligibility of applicants for loans and determining appropriate action after borrowers have a loan for 3 years would seem to draw the supervisor and members closer together. This would also seem to stimulate committee interest by putting a greater degree of control of the program in their hands.

Use of one committee rather than several has certain advantages. Qualified and interested membership for the smaller committee is easier to obtain. Working with one group takes less of the supervisor's time. On the other hand, having only the one small group reduces the number of persons who might serve as a point of contact between the program and the general public.

Even with the consolidated committees and reduced number of county offices, more than 8,000 citizens were serving as members or alternates on FSA county committees. When there were four committees, membership is estimated to have totaled about 25,000. The total number of persons who have ever served on these local groups concerned with rehabilitation is not known but is probably in the neighborhood of 50,000.

Relation of Administrative Levels Within FSA.-- Division of responsibility of various phases of the activities which are a part of the rehabilitation program has been shifted from time to time but the trend has been to put an increasing share of the work at the county office level. ^{29/} The procedure by which a loan was approved as of 1943 will serve to illustrate one type of relationship among the several levels. A prospective borrower made application to the county office. After investigation by the county supervisor and staff the case was discussed by the supervisor with the county FSA committee which passed upon the

^{29/} For a discussion of changes and administrative problems see Brain, op. cit.

eligibility and need of the applicant for a loan. If approved; the application was then reviewed by the district supervisor and if less than a specified amount was to be loaned, he could give final approval. Upon approval, the necessary documents were sent to the area (formerly regional) finance office for the mechanical "processing" which resulted in a check being written which was returned to the county office for delivery to the borrower. If the loan was above a specified amount, the district supervisor could not give final approval but had to send the applicant on to the regional office. If above a higher specified amount, the regional director had to send the application on to the Administrator at the national level. In exceptional cases the Administrator was required to pass the case on to his superior for final decision. The larger the loan, the higher the level at which it had final approval. In any case, after approval of the loan the documents went to the area finance office for processing. Definite restrictions set by Congress on the size of loan have since modified the procedure described.

The county office may call upon the district, State, but more likely, the regional office for technical assistance in such problems as debt adjustment, cooperatives, or health. Regional, State, and to some extent, district offices have responsibilities for training county personnel and exercising certain duties of review and control. Experience has been that centralization to get sufficient volume of production for most economical administration is satisfactory for mechanical operations, such as processing loans. However, judgment determinations -- such as whether loan funds are to be used in accordance with policy -- must be as close as possible to the actual situation of an individual farmer to be realistic and avoid delay.

Although the national level had final responsibility for policy determinations, a process was evolved which brought about a wide participation from the district to the Washington level. The essence of this process was as follows: (1) The technical and lower ranking administrative people in Washington recommended an integrated series of policies and ways and means of putting these policies into operation; (2) these recommendations were discussed at lengthy staff meetings of the Administrator, Assistant Administrators, Regional Directors, and Assistant Regional Directors; (3) after the recommendations had been revised and approved in these meetings they were taken to State and District personnel by a combination of Washington and regional people; (4) the District Supervisors then took the recommendations to the counties with the aid of Regional and State people. By 1941-43 this process integrated wide participation in policy making with program building, budget making, and the allocation of loan funds and county personnel. At the same time it provided personnel training.

Relation to Other Agencies. - The close ties between the extension service and the AAA which characterized the rehabilitation program under the FERA were modified under the RA and the FSA, although cooperation continued. Upon transfer of the program to the RA, a memorandum of agreement for cooperation between that agency and the Extension Service was signed June 7, 1935. 30/ This memorandum contemplated that the

30/ Circular letter, Rural Resettlement No. 1, C.W. Warburton, Director of Extension Work, U. S. Dept. of Agr. to Directors of Extension June 10, 1935.

rehabilitation corporations already chartered in many States, or boards or committees to be established, would be the agencies through which the Resettlement Administration would function within the States. The State Director of Extension was to be a member of such State agency, jointly with RA was to select the other members, recommend the State director of rehabilitation, and jointly recommend all State, district, and county employees and county committee members. Employees in the State were to be jointly responsible to the extension director and rehabilitation director for all technical and supervisory phases of rehabilitation but solely responsible to RA for fiscal matters. When the plan to carry on rehabilitation through the State corporations was abandoned, the effect was to nullify this memorandum.

Formal agreements have been made with the Federal Land Bank, 31/ the Emergency Crop and Feed Loan Section 32/ of the FCA, and with the Production Credit Associations respecting the making of loans to persons eligible for loans from these agencies or already indebted to them. The general policy is that the FSA does not make a loan if the FCA agencies are able and willing to do so. Emergency crop and feed loans are not made to FSA borrowers.

Procedure has called for appropriate consideration to acreage allotments and benefit payments under the AAA program, to land use designations made by the BAE, to cropping and erosion control practices recommended for the area by the SCS, to the use of technical information on farm and home management which is available from the extension service and experiment stations, and to instructional methods and help from vocational, agricultural, and home economic teachers. 33/ Supervisors have been urged to enlist the services of local agencies concerned with health education, sanitation, marketing, and the like. There has been cooperation with numerous other agencies, for example the Federal Surplus Commodity Corporation, at various times.

Personnel

Because so many other activities have been carried on by agencies administering rehabilitation and because some of the time of personnel primarily concerned with rehabilitation has been devoted to these other activities, it is impossible to say just how many "man-years" have been assigned to the standard loan program. Some 10,074 employees of the State Rural Rehabilitation Corporations and divisions were transferred to the RA. By 1940, employees numbered 13,000 in the FSA. The peak in employment, 20,000, was reached in June 1942. Employment for the agency as a whole fell below 10,000 by 1944. At the end of 1943 nearly two-thirds, 64 percent, of the total agency full-time personnel were in the county (including project) offices, 6 percent in the national (including investigation), and the remainder of 30 percent in the regional, State, and district offices. 34/

31/ FSA Instruction 731.5, April 27, 1942.

32/ FSA Instruction 731.6, March 23, 1942 (Rev. Feb. 26, 1944).

33/ FSA Instruction 731.1.

34/ Based upon Monthly FSA Activity Report, Table 7B as of Dec. 30, 1943.

Employees of the RA and the FSA have been outside of the Federal Civil Service system.

One major problem in the early part of the program was lack of a reservoir from which to draw trained administrative and supervisory personnel. This deficiency was partly because of the uniqueness of the program and partly because the program was launched "before adequate recognition of, and research on, rural social problems had flowered." 35/ Extension services and vocational agricultural schools came nearest to supplying the background and experience needed but these were being drawn from by other expanding agricultural programs.

"The policy of the Farm Security Administration has been to recruit its personnel, where possible, from the ranks of land-grant college students who have been trained in the rural social science field." 36/ The number of positions far outnumbered the graduates with this kind of training, especially in the South.

One of the measures adopted to meet the lack of desired training on the part of personnel was an in-service training program. 37/

Problems and Issues

One of the administrative problems has been to find the level at which to locate the mechanical operations (inherent in the paper work necessary in the rehabilitation activities) so as to get the economies of mass production without sacrificing speed in action and without unnecessary duplication of operations that are also necessary at the county level. Another problem has been to find the best level of responsibility for final determination of loan approval, so as to make the most realistic decision in view of the total situation of an individual farmer on the one hand, and to see that the loan is in line with policy, on the other. Another set of problems centers around the matter of policy determination. If policy is set at the national level, provision has had to be made for adapting it to fit special local conditions.

The fact that the agencies administering the standard rural rehabilitation loan program have also been responsible for other programs, on which it was necessary to utilize the same personnel, has probably been a detriment to the standard loan program for two reasons. First, although it was the major activity, the standard program has had to sacrifice when time was needed for these other or special jobs. Second,

35/ Gaus and Wolcott, op. cit., p. 238.

36/ Theodore W. Schultz assisted by Lawrence W. Witt. Training and Recruiting of Personnel in the Rural Social Studies, American Council on Education, Washington, 1941, pp. 187-188.

37/ See for example, Induction Training Course, issued in 1941 primarily as a manual for a 2-weeks training course at the regional level. Study groups were held to give particular attention to Southern problems and the peculiar problems of the Negro in Southern agriculture. See Study Conference for Farm Security Professional Workers, Tuskegee Institute, Ala., Oct. 2-14, 1939, or The Farm Security Study Conference, Tuskegee Institute, Nov. 2-9, 1940.

it has been necessary for county, district, and State personnel to become just as familiar with the procedural material for these other activities as for the major one, and this is a time-eating process. From an agency-wide or department-wide viewpoint, the "doubling-up" may perhaps be justified but the standard program may have suffered as a result.

A problem of internal administrative organization has been the effective integration of Negro personnel working on the rehabilitation program as applied to Negro farmers. The pattern developed of a Negro staff within the total staff, rather than a segregated Negro staff, is considered to have the most promise. But with this pattern liaison must be assured between Negro employees in the field and officers in the regional and national offices. 38/

The problem of recruiting qualified personnel and giving suitable in-service training has been discussed. There may well be other problems of administrative structure and function, but those mentioned are the ones having most significant implications for the rehabilitation program. Not to be overlooked are the difficulties that were attached to the transfer of the assets and control of the State rural rehabilitation corporations and their personnel to the RA. 39/ These difficulties have continued to be reflected in the generally poor rehabilitation records of the group of clients under the care of the corporations at the time of transfer.

An outstanding issue for several years has concerned the location of rehabilitation functions and control over them. Proposals made to Congress by spokesman for the American Farm Bureau Federation would assign the supervisory function to the State agricultural extension service and the credit function to the FCA. 40/ Opponents of such proposals say that such a splitting of functions would destroy the distinctive characteristics of the standard loan program and greatly impede farm family rehabilitation

Principles

The following generalizations with respect to administrative structure and function so far as they tend to implement rehabilitation of standard loan borrowers, are tentatively suggested:

1. Judgment determinations with respect to the procedure concerning an individual rehabilitation family should be at an administrative level close enough to give a realistic decision based upon the total situation involved.

38/ Memorandum, Giles A. Hubert to Carl N. Gibboney, Aug. 27, 1943.

39/ First Annual Report, Resettlement Administration, pp. 15-17.

40/ Statement of the Secretary of Agriculture on American Farm Bureau Federation Suggestions to the Agriculture Subcommittee of the House Committee on Appropriations, Feb. 25, 1941. See also Report No. 1747, House of Representatives, 78th Cong., 2nd Sess.

2. Preferable procedure is for administrative personnel to devote all of their time to the standard loan program and related activities, rather than divide time among several programs.
3. Flexibility must be provided in procedures so that national policies may be adapted to local conditions.
4. The use of local citizen committees that are sympathetic with broad rehabilitation objectives is desirable as a device for (a) getting some measure of local responsibility for the program, (b) stimulating public interest in the problems with which rehabilitation is concerned, (c) adapting national policies to fit local conditions, and (d) advising with respect to improvement of program procedures and policies.
5. The greater the extent to which functions necessary to carry on the standard loan program are centralized within the same administering agency, the more effectively the objectives of the program can be achieved.

PART II. THE PEOPLE CONCERNED

CHAPTER 5.

STANDARD LOAN PROGRAM COVERAGE *

No formal attempt was made under FERA to classify into categories the families assisted by the rehabilitation program. Initial efforts in this direction were represented by the action of county rehabilitation committees in some States to group applicants on the basis of farming experience, ability to obtain loans, and family reputation in the community. In Arkansas, the approved applicants were placed in one of three groups: (1) The best risks were those having good reputations, considerable farming experience, plenty of available family labor, and some livestock and equipment; (2) poorer risks were those who did not own so much livestock or equipment as the "best risks" and generally had experience only in farming on a small scale; and (3) poorest risks were those not fully capable of handling capital goods and showing a lack of aptitude or ability for managing a farm. Usually those in the third group were day laborers or they were dependent on seasonal work. ^{1/} In Alabama, relief households rated by case workers as possible of rehabilitation were grouped into two classes: (1) Those capable of managing capital advances, and (2) those showing ability to manage, with close supervision. ^{2/}

Under the RA, families assisted by rehabilitation in place were classified into standard and emergency cases. ^{3/} Later the emergency cases were renamed "nonstandard" and the grant category was added.

Rehabilitation Categories Defined

Standard loan cases, which constitute the majority of families aided by RA and FSA, and which are the concern of this study, are those to which loans are made on the basis of an acceptable farm and home management plan. Excluded are any cases on the tenant-purchase of resettlement-type project programs. For certain reporting purposes, these standard loan cases have been further divided into two groups, first, according to source of loan funds (corporation trust only or RA-FSA) and second, according to indebtedness status (active, paid up, inactive; the inactive are now divided into collection-only and dropped).

Nonstandard (emergency) loan cases are those receiving loans not made on the basis of an approved farm and home plan. Excluded are any cases also on the tenant-purchase, project, or standard loan programs. The loans are related to an emergency situation in which deferring aid until

* Prepared by Olaf F. Larson and Paul J. Jehlik, Bur. of Agr. Econ., U. S. Dept. of Agriculture.

^{1/} W. T. Wilson and W. H. Metzler, Characteristics of Arkansas Rehabilitation Clients, Arkansas Agr. Expt. Sta. Bul. 348, Fayetteville, June 1937, pp. 4-5.

^{2/} Kirkpatrick, op.cit., p. 7.

^{3/} Resettlement Administration Order No. 76, Oct. 15, 1935.

a farm and home plan could be fully developed would cause human suffering or in which only temporary aid is needed. The loans average much smaller than the standard type.

Cases transferred from the State corporations to RA were classified as standard or emergency, depending upon whether there was an approved farm and home plan.

A Grant-Only case does not receive a loan but is made an allotment usually in cash, for immediate direct relief. This grant does not have to be repaid. Families who receive loans may also receive grants under specified circumstances but the classification depends upon the type of loan.

Some families receive loans only that they may participate in community and cooperative services. Such cases are classified as standard or nonstandard, depending upon whether there is an approved farm and home plan. Families having neither loans nor grants may also receive certain services, such as debt adjustment or tenure improvement, or may take part in an activity such as processing or purchasing and marketing association which receives a loan from the FSA. Such families are not considered "rehabilitation cases."

In connection with experimental programs or special programs limited in geographic scope, special-case categories have sometimes been temporarily designated. There have also been special types of loans such as Food for Freedom, Club, and Agricultural Conservation Program, which have been assigned to the standard or nonstandard categories.

Eligibility Policies

Under the FERA.—Just as there were no specialized rehabilitation categories when the program was administered under FERA, so there were only general instructions as to eligibility for aid. National policy required that a family be on relief or at the border, since the program as then conceived was a specialized relief program for the rural needy. Families living on or having at their command tracts of land on which farm products could be produced and who could become wholly or partially self-supporting through such production, were, if otherwise eligible for relief, to be classed as rehabilitation cases. ^{4/} Displaced farmers now without the necessary land or facilities to engage in farming were also eligible for rehabilitation if their recent and regular occupation had been farming. Families were to be not only needy but to be "worthy."

In practice these broad policies were interpreted by the State administration, county committees, and county relief and rehabilitation personnel in each of the States carrying on the program. In Alabama, for example, in October 1934, the policy was adopted of withholding all relief to farm families except through rural rehabilitation. ^{5/} In Arkansas, 95 percent of the families accepted on the program during the first half of 1935 had been

^{4/} Objectives and Suggested Procedure, p. 12.

^{5/} Harold Hoffsommer, "The Disadvantaged Farm Family in Alabama," Rural Sociology, vol. II, no. 4, Dec. 1937, pp. 382-392.

on relief. 6/ In a few States there were large-scale transfers from relief to the new program without changing the type of aid rendered. North Carolina selected from relief rolls families having one or more able-bodied men and which, on the basis of credit history, general reputation, history with relief agency, and farm experience, were judged capable of rehabilitation. 7/

Administrative determinations also influenced how certain types of rural relief recipients should be classified. As of March 1, 1935, all cases receiving drought feed relief under the State emergency relief programs were reclassified as rehabilitation cases. 8/

Eligibility for RA-FSA standard loans.- The Resettlement Administration adhered rather closely to the policy of making loans to the farm families at or near the relief level. Liberalization of this policy was urged by the Committee on Farm Tenancy in order to implement a general program of increasing farm security.

In 1938 the procedures were rewritten to state that persons considered eligible for standard loans were low-income farmers, including owner-operators, tenants, sharecroppers, and farm laborers, who were: (1) living on farms from which they derived the major part of their livelihood; (2) temporarily living in towns and villages because of inability to remain on farms from which they previously derived the major part of their livelihood; or (3) recently married young men who were sons of farm families and wanted to farm for a livelihood, and who were: (a) in need of the supervised and financed farm and home management services of the FSA, (b) unable to obtain adequate farm financing from agencies other than the FSA, and (c) willing to assume the obligations of self-help necessary to effect their rehabilitation and showed evidence of acceptable industry, ability, and managerial capacity to profit from farm and home management guidance and instructions as well as financing. 9/

As long as there was unmet need among full-time farmers in a given area, unemployed industrial workers who wanted to return to the farms were not to be eligible for a loan.

In 1942, with the shift to wartime objectives, the eligibility requirements were changed as rehabilitation as a goal became secondary to obtaining maximum employment of low-income farm families in the production necessary for the war. Besides the previous stipulations slightly restated, there were added the requirements (1) that the family be able to conduct approximately full-time operations on a farm which effectively utilized available family manpower, or part-time farming operations which might be supplemented by off-farm employment that would not interfere with successful operations on

6/ Wilson and Metzler, op. cit., table 11.

7/ Pioneering in Rural Rehabilitation in North Carolina, The North Carolina Emergency Relief Administration, Raleigh, N. C., 1935, pp. 16 and 53.

8/ Westbrook to State Emergency Relief Administrators and regional adviser of rural rehabilitation, RD-30, March 9, 1935.

9/ Farm Security Administration Instruction 731.1, Oct. 25, 1938.

the farm; (2) that the family have a reasonable possibility of repaying the loans; and (3) that the family's health and level of living could be maintained and improved. 10/

Under Federal administration the upper limits of eligibility have been set by inability to get credit at reasonable rates or terms from other sources. Even this is a variable ceiling, subject to availability of other sources and fluctuations in their lending policies. The lower limits of eligibility have been extremely subjective. Following the close association of relief and rehabilitation, a policy of balancing farm and home plans with grants if self-support could be predicted within at least 5 years had the effect of setting the lowest level at which a family would be accepted for a standard loan. The wartime criteria served to raise the lower level considerably by putting emphasis upon possession of the resources and characteristics that could respond quickly and significantly to financial and supervisory aid.

The administrative levels below the national office have had great leeway to exercise judgment in selecting families within these broad eligibility criteria. As will be shown, the trend has been to raise the lower limits of eligibility through the criteria applied by county supervisors in the selection of applicants.

Number of Families Aided by Loans

Case Load Under the FERA.— Perhaps a majority of the 397,130 cases who were advanced funds under the FERA rehabilitation program at any time from April 1934 through June 1935 would have been classed as "grant only" or nonstandard loan cases under RA and FSA. 11/ However, no such classification of the cases is permitted by the available data. During June 1935, the month immediately preceding transfer to the RA, 366,945 cases were "under care" as receiving loans and/or services and whose loans had not been repaid. 12/ Only 225,290 of these were considered active cases as of June 30 by Resettlement, the others presumably having been made advances only for subsistence for a month or so and therefore being a grant-type case. 13/

The program got under way too late in the growing season of 1934 to expand rapidly. The number of cases who were advanced funds crept up slowly through February 1935, when 87,000 cases were made loans for subsistence and/or capital goods. 14/ Up to this time, the program

10/ Farm Security Administration Instruction 731.1, Nov. 9, 1942.

11/ "The Rural Rehabilitation Program," Monthly Report of the Federal Emergency Relief Administration, Aug. 1 through Aug. 31, 1935, pp. 14-24.

12/ This figure given in the First Annual Report, Resettlement Administration, p. 9, is about 3,000 more than given in some other reports covering the month of June.

13/ Ibid, p. 160.

14/ For detailed statistical data by months or States for the program under FERA, see the source cited in footnote 11 above; Asch and Mangus, op.cit., pp. 15-22, and Final Statistical Report of the Federal Emergency Relief Administration, prepared under the direction of Theodore E. Whiting, Federal Works Agency, WPA, Washington, D. C., 1942, pp. 66-70, 233-234.

was significant in only a few Southern States -- notably Alabama, Arkansas, Georgia, Louisiana, Mississippi, and Texas -- and in Ohio. The only other States that made advances to more than 1,000 cases in any one month were Florida, Kansas, Michigan, North Carolina, South Carolina, and West Virginia. In March 1935 the number of cases who had advances doubled, due to the transfer of drought-relief clients from the general-relief program of FERA. Of the 250,531 families under care at the end of March of that year, some 163,000 came from drought areas. Colorado, Illinois, Minnesota, Missouri, New Mexico, Oklahoma, South Dakota, and Wisconsin, between March and June 1935, were added to the list of States having rather large programs. At the time of transfer to the RA, some rehabilitation activity had been carried on in all but three States -- Delaware, Maryland, 15/ and Rhode Island. However, the program was concentrated primarily in the cotton plantation areas of the South where croppers and tenants were "furnished," and, to a lesser extent, in the drought-stricken areas of the Plains and Great Lake States where emergency aid was being given.

Standard Loan Cases Under RA-FSA.— Standard loans were received by 695,000 families through September 30, 1943, 16/ excluding Farm Ownership borrowers and project occupants who had such loans. This is 1 out of every 9 farm operators as reported by the U. S. Census as of April 1, 1940. Actually the proportion would be considerably larger if from the census farms were deducted those units that do not meet many of the criteria of an operating unit.

New families added to the program were most numerous in the calendar years 1936 and 1939 as the following summary shows: 17/

| <u>Calendar year of first standard RR loan</u> | <u>Number cases</u> | <u>Cumulative number</u> |
|--|---------------------|--------------------------|
| 1935 | 90,837 | 90,837 |
| 1936 | 144,517 | 235,354 |
| 1937 | 52,911 | 288,265 |
| 1938 | 67,168 | 355,433 |
| 1939 | 100,552 | 455,985 |
| 1940 | 60,813 | 516,798 |
| 1941 | 66,045 | 582,843 |
| 1942 | 70,225 | 653,068 |
| 1943 to Sept. 30 | 41,769 | 694,837 <u>18/</u> |

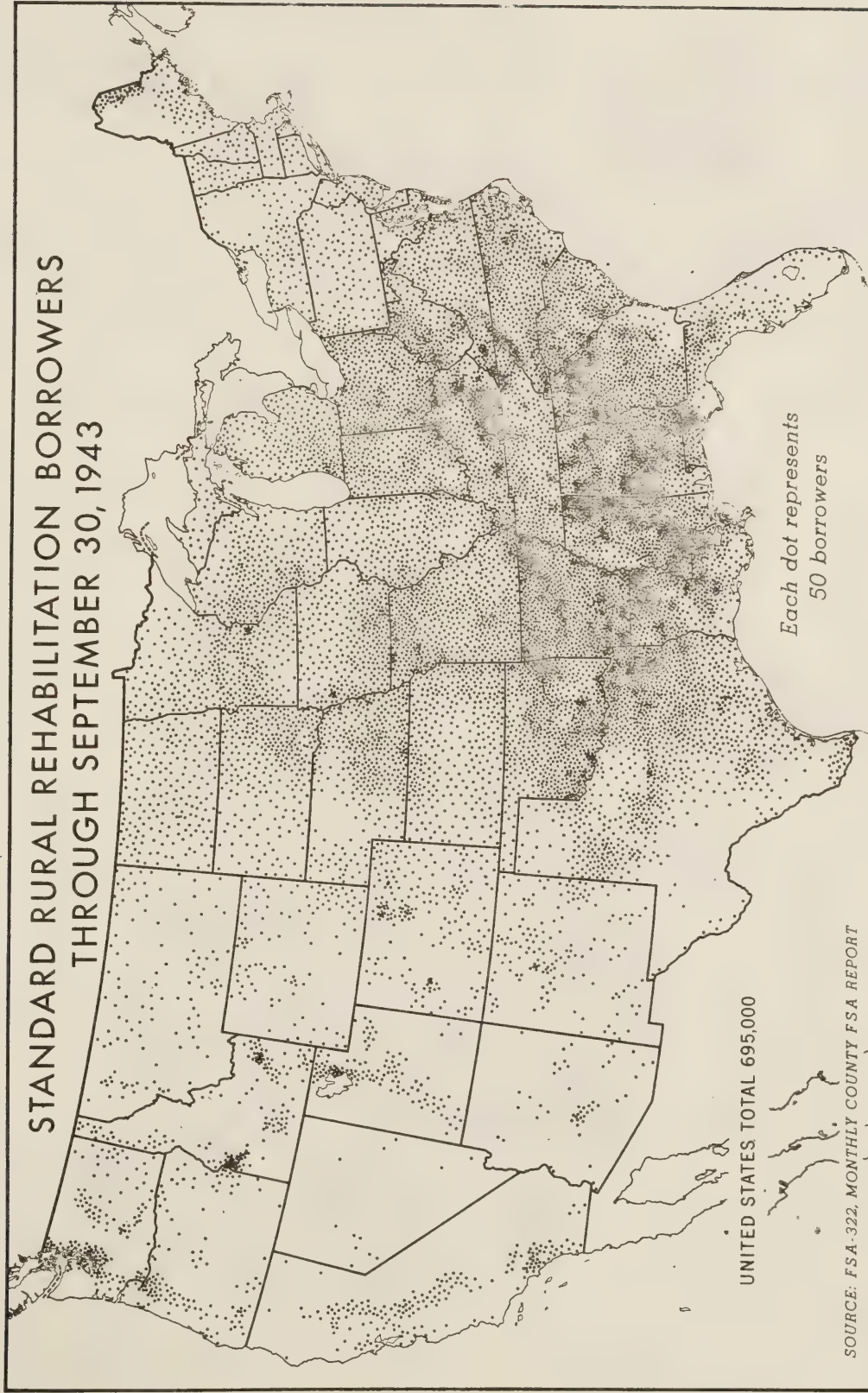
15/ A State rehabilitation corporation was organized in Maryland but never functioned.

16/ By the end of 1945 the comparable number had risen to nearly 770,000.

17/ Based upon 1943 FSA Family Progress Report. Note that data are for calendar rather than fiscal years.

18/ A corrected case-load figure of 695,661 is given in Borrowers Misclassified as Active Standard RR Cases in the Caseload as of September 30, 1943, U. S. Farm Security Administration, Release No. 3, 1943 Family Progress Report, April 27, 1944.

STANDARD RURAL REHABILITATION BORROWERS
THROUGH SEPTEMBER 30, 1943



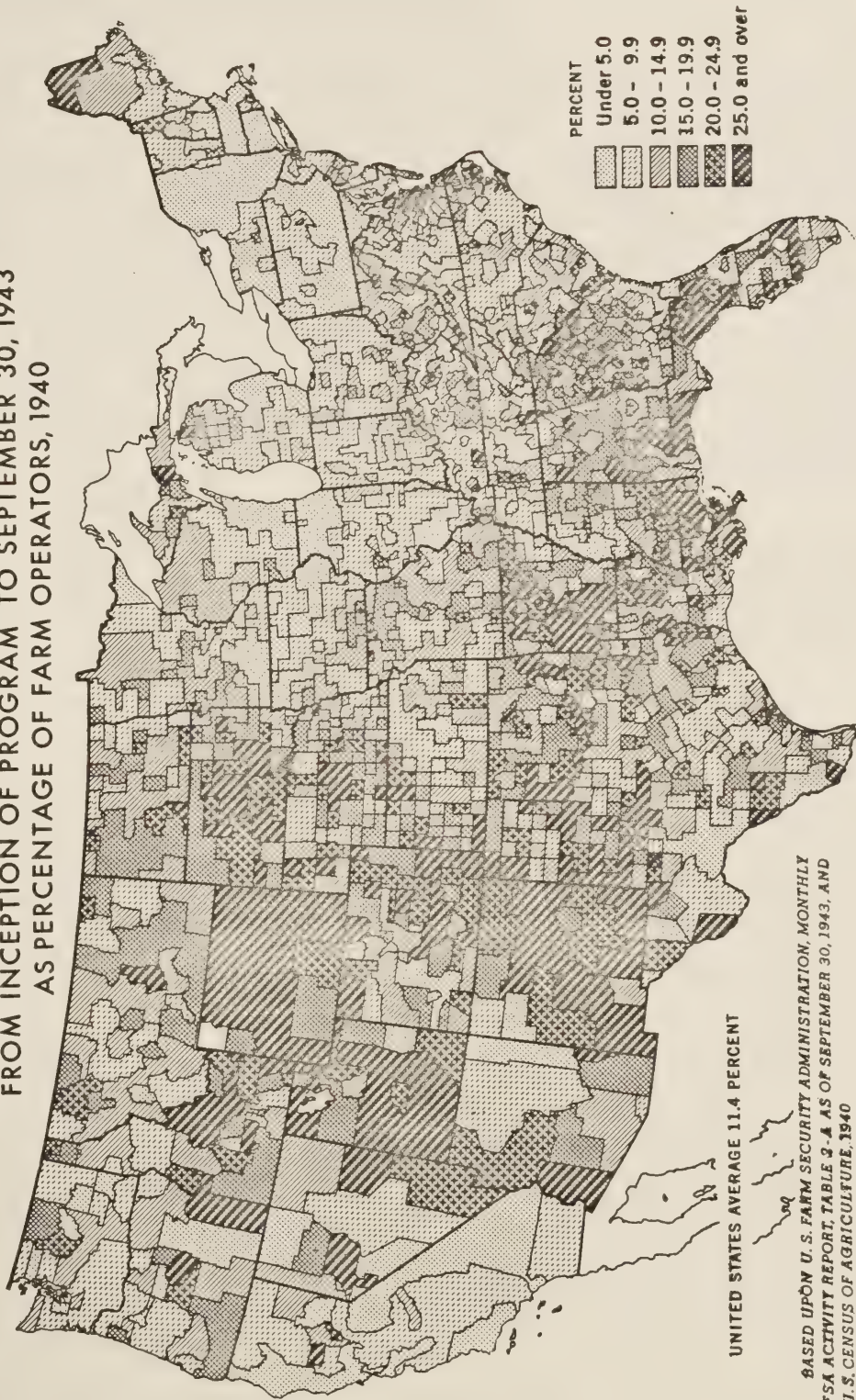
SOURCE: FSA-322, MONTHLY COUNTY FSA REPORT

U. S. DEPARTMENT OF AGRICULTURE

NEG. 45322

BUREAU OF AGRICULTURAL ECONOMICS

NUMBER OF STANDARD RURAL REHABILITATION BORROWERS FROM INCEPTION OF PROGRAM TO SEPTEMBER 30, 1943 AS PERCENTAGE OF FARM OPERATORS, 1940



UNITED STATES AVERAGE 11.4 PERCENT

BASED UPON U. S. FARM SECURITY ADMINISTRATION, MONTHLY
FSA ACTIVITY REPORT, TABLE 3-A AS OF SEPTEMBER 30, 1943, AND
U. S. CENSUS OF AGRICULTURE, 1940

The high level of activity during the year after the transfer of the rehabilitation program to the RA is better shown by loaning activity reported by fiscal rather than calendar years, although otherwise both show the same general trends. 19/

Farm families reached by the standard loan program were widely dispersed throughout the Nation with the largest numbers in the Southeastern States (fig. 3). Several counties, nearly all in the cotton-plantation areas, have each had more than a thousand borrowers. When considered in relation to all farmers reported by the 1940 census, however, counties with the largest proportions of their farmers receiving such loans were most numerous in the Mountain and parts of the Great Plain States (fig. 4). The load has been relatively just as heavy in many scattered counties throughout the South. The darkest areas in figure 4 are those in which at least 1 farmer out of every 4 had received a standard loan by September 30, 1943. Taking entire States, Wyoming had the largest proportion of its farmers, 37 percent, receiving standard loans (table 1, Appendix). Utah, New Mexico, Florida, Colorado, and South Dakota followed in order, each having at least one-fifth of its farmers with standard loans. In Region X 20 percent of the farmers had standard loans. Regions VIII-XII, V and VI followed in order.

The variations in proportion of farmers aided should not be interpreted as wholly representing differences in need. In a large measure they represent differences in selection policy, especially a hesitation to make standard loans to families with much too inadequate land resources to be good prospects for rehabilitation in the present location.

Rejection of Applicants for Loans

Reliable information is lacking as to the number of families who have applied for a rehabilitation loan but were rejected. Scattered data suggest that the proportion of families considered as applicants who were rejected was considerably larger in the later years of the program than when it was a specialized relief measure. In Arkansas, 13 percent of the families considered by the county committees through June 1935 were rejected. 20/ In Alabama, 11 percent of the rural families on relief as of September 1934 were disapproved for rehabilitation by the local committees. 21/ These low

19/ The number of original standard loans obligated from RA-FSA funds by fiscal years is as follows:

| | | | | | |
|------|---------|------|---------|------|--------|
| 1936 | 274,836 | 1939 | 112,968 | 1942 | 73,832 |
| 1937 | 55,135 | 1940 | 79,569 | 1943 | 52,392 |
| 1938 | 62,687 | 1941 | 82,755 | 1944 | 23,578 |

The number of original standard loans is larger than the number of standard loan borrowers because the former includes such loans to tenant-purchase, project, and other borrowers. Also, some standard loans may have later been reclassified as nonstandard. Based upon Form FSA-RR 49 for 1936-1940; Form FSA-323 thereafter.

20/ Wilson and Metzler, op. cit., p. 7.

21/ Kirkpatrick, op. cit., p. 5.

rates of rejection applied when practically all families considered were on relief. During the period, July 1942-June 1943, when war objectives were becoming the foremost consideration, rejections and withdrawals at the county-office level amounted to 56 percent of applications for original rehabilitation loans throughout the country. ^{22/} Some applicants were undoubtedly "shopping around" for credit and withdrew their requests when other sources were located.

No detailed studies are known to have been made of the reasons for rejection. Observation suggests that applicants not accepted for standard loans may be classified into three broad groups: (1) Ineligible because other sources of credit available, (2) lacking physical resources and characteristics considered necessary to be a good prospect for rehabilitation, and (3) having a poor reputation for honesty, industry, and cooperativeness, so considered too risky for a "character" loan.

Analysis of the Alabama and Arkansas rejectees mentioned above, regardless of the reason for rejection, indicated in both States that as compared with families accepted they were more likely to be Negro, have a female head, have fewer persons -- especially workers -- and have a non-farm residence at time of consideration. The Arkansas study also showed family heads older, farm experience more limited, the relief record longer, crop yields lower, and farm machinery less, on the average, for rejected applicants. Such families also were more likely to have had a non-farming occupation previously, to be less likely to have canned goods or cured meat on hand and to have a smaller quantity on hand, and to have physical ailments or disabilities. The findings in the two States did not agree in the relation between acceptance or rejection and education completed, livestock on hand, and the presence and amount of indebtedness. Analysis of the disapproved applicants by major reason for rejection would apparently show the majority as being either too well off or too poor to be eligible for a standard loan. Those too well off could get credit elsewhere. Those too poor were not so likely to find some help in bettering their position.

Actual vs. Potential Coverage

The proportion of potential standard loan families actually assisted is dependent upon the definition of eligibility for a standard loan. Application of both the upper and lower limits of eligibility as defined by the rehabilitation agencies involves a judgment determination in each individual circumstance. For example, when ordinary sources of credit are following a liberal loan policy, a particular farmer may be ineligible for a rehabilitation loan whereas at another time all the usual sources would be denied him. Or, a family with limited land and equipment, if made a large enough loan, repayable over a long enough period with provision for balancing the farm and home plan with grants in the early years, may be considered eligible. The same family, under a policy of small loans, strict collections, and no grants, might be a poor prospect for rehabilitation. Even were these same definitions of eligibility uniformly applied at two different points in time, the number of families

^{22/} Based upon FSA Report No. 1 for period indicated.

classified as potential standard loan cases might not be the same. Changes in economic conditions might expand or contract the potential load. So might a change in the number of families engaged in agriculture.

Changing the standards of eligibility will change the potential case load. For example, raising the lower limits set for a standard loan to implement the wartime production objectives of the FSA automatically reduced the number of possible standard loan families.

Thus the potential universe of applicants for rehabilitation will vary from time to time with the same set of eligibility criteria, or at the same point in time with changes in either level of eligibility. The fact is, the size of this universe has not been measured anywhere near precisely at any point in time with any of the eligibility criteria which have been applied by the administering agencies. Only rough approximations of this universe have been possible. By any measure applied, however, it is clear that at no time in the history of the rehabilitation program have all eligible families been assisted by standard loans.

Coverage Under FERA.- During the first years, when rehabilitation was considered essentially a specialized rural relief program, the best measure of the potential case load was the number of farm families on relief. Some of these, of course, were not physically qualified for farming or for other reasons they were not judged suitable prospects for rehabilitation. On the other hand, farmers on the border-line of relief were also eligible for help.

Some 2,000,000 farm families are estimated to have received relief at one time or another during the depression years 1930-35. At the peak, reached in February 1935, well over 1,000,000 farm families received some kind of public assistance during the month. ^{23/} Of these, 733,000 were farm operators and 279,000 were farm laborers in rural areas. The remainder of 166,000 were farm operators or laborers by usual occupation but living in cities of 5,000 or more population. All of the latter group were considered "displaced" and some of the former group, since they were resident in villages and small towns, may have been in the same category.

A comparison of these numbers of farmers constituting the relief universe with the not more than 200,000 or so families of the standard loan type aided by the FERA rehabilitation program or even with the 397,000 families given any form of rehabilitation aid under FERA, shows that nowhere near all the eligible families were aided. ^{24/} As late as June 1935, in ³⁷ States the farm operators receiving relief outnumbered those aided by rehabilitation. ^{25/} In not a single State was the rehabilitation program developed to the point where no farm operators were "on relief."

^{23/} Asch and Mangus, op.cit., pp. 5-6.

^{24/} Hopkins, op.cit., classified the 1 million farm families on relief rolls in the spring of 1935 as follows: 350,000 in drought areas, 550,000 in nondrought areas, 100,000 in cities. He quoted Westbrook's estimates, that 125,000 could be rehabilitated at no cost through advisory services, 430,000 could be rehabilitated in place, and 440,000 including displaced farmers in cities would have to be resettled.

^{25/} Asch and Mangus, op.cit., table 2, page 5.

The Low-Income Concept.-- When rural poverty came to be seen as of long standing and as having multiple and deep-rooted causes, rather than being an emergency situation, and as the objectives of rehabilitation were correspondingly broadened, the number of families on or eligible for relief was no longer a good measure of the number of families potentially falling within the scope of the standard loan program. The new measure was the number of "low-income" farm families. "Low-income" as used in this context has a welfare connotation, rather than indicating the relative return from the use of productive resources in a purely economic sense.

Theoretically the low-income universe might be defined in several different ways. It might be: (1) A given segment, at the lower end, of the total distribution of families classified according to income; ^{26/} for example, the "lower one-third;" (2) those families with an income, however defined, below a specified amount; for example, those with a net available for family living of less than \$800; (3) those families whose incomes, regardless of the amount, are insufficient to provide quantities or other units or standards of food, clothing, shelter, health, and other physical items determined as the desirable minimums. These minimums may be established in several ways, as for example (a) by technicians using expert scientific knowledge of nutrition, medicine and other fields, (b) by administrative edict and judgment determination, as in the case of setting standards of eligibility for relief, or (c) by the people themselves through knowledge of their own acceptable norms of behavior. All three of these may be modified according to whether they are applied on a national or small geographic or other basis.

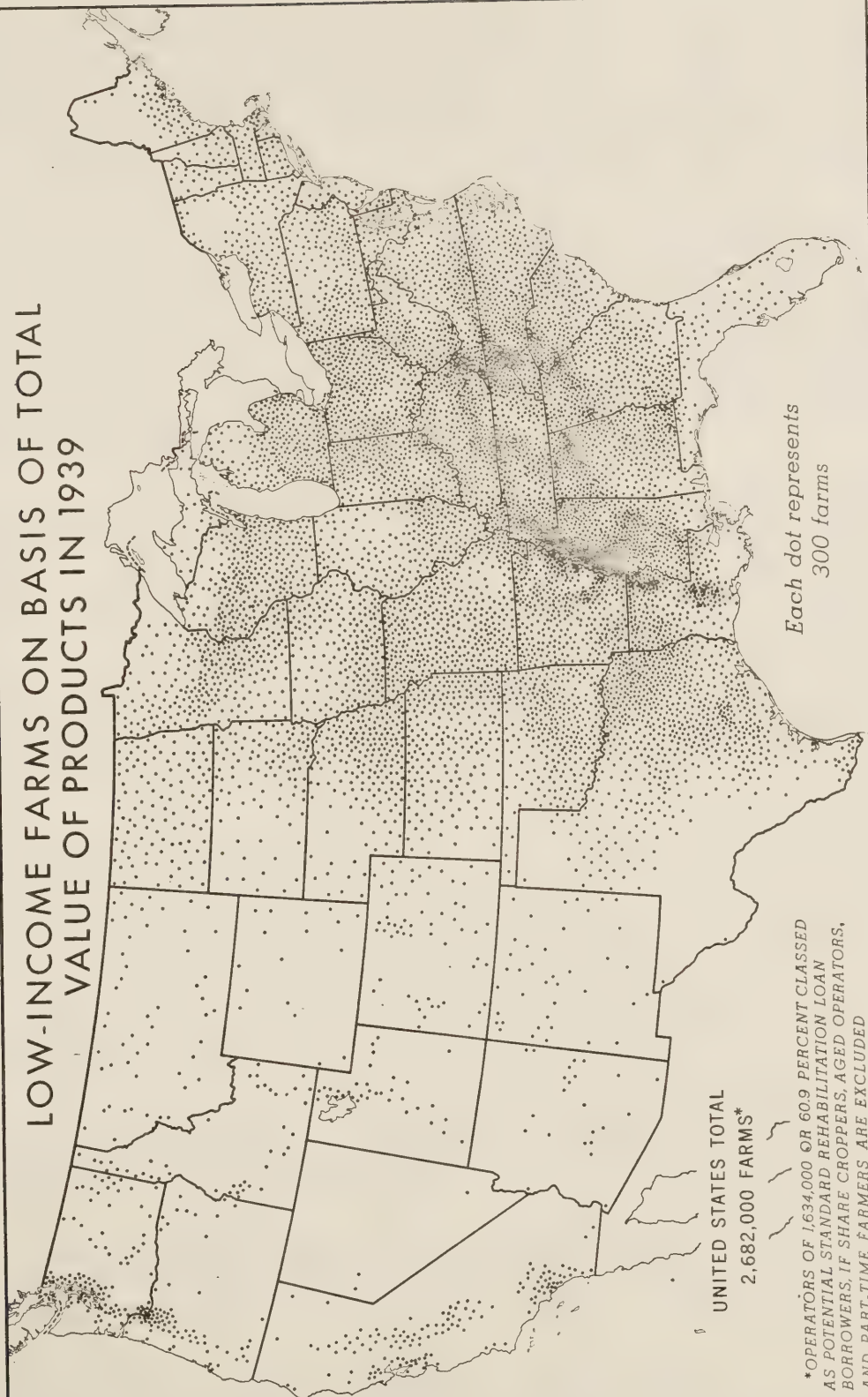
A major disadvantage of both the first and second definitions is that their rigidity prevents considering income in relation to individual family need or home-management skills. Thus strict application would exclude some families actually in need and include others not in need. The third definition, which allows for differences in family composition, may be objected to on various grounds, the most reasonable of which are the difficulties of measuring the size of the universe if determined by either the technicians' or the people's minimums and the dangers of permitting the determination to be made subjectively by administrative edict.

The problem of satisfactorily defining the low-income farm family universe is further complicated by the need of deciding who is a farm operator. (The standard-loan program is essentially for farm operators.) Accepting the census definition of farm operator has shortcomings. Such an individual may use the tract of land mainly as a place of residence; he may be engaged primarily in a nonfarm occupation, or because of physical disability or other reasons may carry on only a negligible amount of farming. ^{27/} Still others within the census definition of a farm operator may lack power, machinery, and equipment and therefore are farmers only by courtesy of definition, if by a farm is meant enough land, power, and

^{26/} Any given concept of income, such as net available for family living, may be used.

^{27/} The total number of persons reporting their occupations as farmer or farm manager for the 1940 Census of Population was nearly 16 percent less than the number of farm operators reported by the Census of Agriculture.

LOW-INCOME FARMS ON BASIS OF TOTAL VALUE OF PRODUCTS IN 1939



equipment to enable the family to eke out at least a subsistence from the sale and use of the goods produced. The point is, that for the purpose of measuring the low-income farm universe from the standpoint of a standard loan rehabilitation program, there must be excluded those who are not farm operators in the sense of being primarily dependent upon farm operation for a livelihood. Many so-called farmers might better be classified as rural residents.

The fact is that there has been no fairly complete enumeration of the number of low-income farm families in conformity with any of the definitions stated. Even the U. S. Census count of farm families gives only the value of products sold, traded, or used. It does not give the total gross income to farm families from all sources, such as off-farm work; for tenant-operated farms, value of products includes the landlord's share. Numerous estimates of the potential number of standard loan borrowers have been made however.

Estimates of Potential Standard Loan Borrowers.- About 1,600,000 farmers were estimated as being within the low-income group as of April 1, 1940 which the standard rehabilitation loan program could potentially reach under policies and procedures operative as of early 1943 (table 1). This estimate excluded all very low-income ^{28/} farmers, operators 65 years old or over, operators who worked off the farm 100 days or more in 1939, or who were sharecroppers. ^{29/} Applying the same income and other criteria would presumably give a larger estimate for the earlier years during which the program operated and a smaller estimate for later years, because of differences in farm income associated with changes in value of production and in prices received, and because of changes in the number of farm operators.

The 1,600,000 "eligible" low-income farmers in 1940 were most numerous in the Southern States but were to be found in every part of the Nation. Figure 5 overemphasizes the concentration in the South, for the data by counties do not permit eliminating the sharecroppers from the low-income group. ^{30/} Nearly half of the "eligible" farmers were in the Southern regions (table 1). About 18 percent were in Region III, which includes the Corn Belt States, but this is probably a little high because it was impossible to exclude sharecroppers except for the States classed as Southern by the Census.

Using data from the Study of Consumer Purchases made by the Bureau of Home Economics of the U. S. Department of Agriculture, the Farm Security Administration estimated 1,703,000 farm families were on relief or had

^{28/} Very low-income farmers were those having less than \$250 total value of all products sold, traded or used in certain regions -- mostly southern -- and less than \$400 in the remaining regions -- mostly northern and western.

^{29/} Some 350,000 sharecroppers under 65 years of age fell within the low-income group as defined for the purposes of the estimate.

^{30/} Neither can the aged or part-time operators be excluded from the low-income group at the county level, on the basis of the data now available.

Table 1.-- Estimated number of low-income farm families April 1, 1940, potentially eligible 1/ for standard RR loans and cumulative number of standard rehabilitation loan borrowers as of September 30, 1943, 2/ by FSA regions.

| Region | :Low-income farm families: :potentially eligible for: : standard loans : | | | Standard loan borrowers | | |
|----------------------------|--|--|-----------|-------------------------|-------|---------------|
| | : Number <u>3/</u> : | | Percent : | : Number : | | Percent : |
| | :(thousands): | | of U.S. : | : of U.S. : | | potentially : |
| | | | total : | : total : | | eligible : |
| U. S. total | : 1,634 | | 100.0 | 694,837 | 100.0 | 42 |
| I | : 82 | | 5.0 | 25,340 | 3.6 | 31 |
| II | : 184 | | 11.3 | 45,207 | 6.5 | 25 |
| III | : 301 | | 18.5 | 94,664 | 13.6 | 31 |
| IV | : 236 | | 14.5 | 93,506 | 13.5 | 40 |
| V | : 182 | | 11.1 | 104,609 | 15.1 | 58 |
| VI | : 170 | | 10.4 | 102,543 | 14.8 | 60 |
| VII | : 170 | | 10.4 | 61,201 | 8.8 | 36 |
| VIII and XII ^{4/} | : 218 | | 13.3 | 108,308 | 15.6 | 50 |
| IX ^{4/} | : 30 | | 1.8 | 16,028 | 2.3 | 53 |
| X | : 30 | | 1.8 | 21,569 | 3.1 | 72 |
| XI | : 31 | | 1.9 | 21,792 | 3.1 | 70 |

1/ Estimates by the Bureau of Agricultural Economics given in Paul J. Jehlik and Olaf F. Larson, Obstacles to Increased War-Food Production by Low-Income Farmers, Farm Security Administration, Release No. 3, 1942 Family Progress Report, June 7, 1943, p. 18. Based in part upon data from the U.S. Census of Agriculture, 1940. Includes operators of farms reported as having in 1939 a total value of products sold, traded or used by the farm family as \$250-749 in Regions IV, V, and VI; \$250-999 in Regions I, VIII, XI and XII; and \$400-1,499 in Regions II, III, VII, IX and X exclusive of (1) operators 65 years old or over, (2) operators who worked off the farm 100 days or over in 1939, and (3) sharecroppers in the South.

2/ Based upon 1943 FSA Family Progress Report.

3/ Rounded to the nearest thousand.

4/ Arizona, which is in Region IX, included with Regions VIII-XII because data used in making estimate of families potentially eligible for loans combined Arizona and New Mexico. Regions VIII and XII combined in this table because data used in making estimate not available for parts of States and Texas and Oklahoma were divided between the two Regions.

net incomes under \$500 in 1935. 31/ For administrative purposes, this group was considered more significant than (a) the 817,000 on relief or with net incomes under \$250 or (b) the 2,793,000 on relief or with net incomes under \$750.

In contrast with the estimates based upon nationwide enumerations of all farm families, county rural rehabilitation supervisors have reported the number of low-income farmers who were eligible for but not on the rehabilitation program. 32/ These county-by-county estimates, which are largely subjective, have always indicated that more families were eligible than were being assisted by standard loans.

Coverage Under the RA-FSA.— Comparing the 695,000 farmers who received standard loans as of September 30, 1943, with the estimated 1,600,000 potentially eligible low-income farmers as of 1940, indicates that two farmers received loans for every five eligible (table 1). Not all loans were made to families within the low-income group as defined. Some were above and some were below the specified income levels, some had been sharecroppers, some were part-time farmers, and a few had heads aged 65 or over. On the other hand, because of improved farm income and departures from farming for other work or military service, 33/ the number potentially eligible may have been so reduced by 1943 that the 2 out of 5 is sufficiently good measure of relative coverage.

By regions, the ratio of standard loan borrowers to eligible farmers varied widely. One extreme represented by Region II where there was one borrower to four eligible. The other was represented by Regions X and XI where there were seven borrowers for every ten eligible (table 1). Three of the four Southern Regions and Region IX on the Pacific Coast were also considerably above the national average in ratio of borrowers to eligibles; the New England and Corn Belt Regions (I and III) were considerably below.

31/ The number of farms reported by the U. S. Census was 6,812,350 on January 1, 1935, as compared with 6,096,799 on April 1, 1940.

32/ The reports of county supervisors have been as follows:

1937 — eligible families not on program — 360,236

1938 — eligible families not on program — 395,451

1941 — eligible families not on program — 650,525

1942 — low-income farmers, not now aided by Farm Security Administration, who could increase food production substantially if given proper assistance in credit, supervision, tenure, and health — 560,565.

For the 1942 report, see Paul J. Jehlik and Olaf F. Larson, Obstacles to Increased War-Food Production by Low-Income Farmers, U. S. Farm Security Administration, Release No. 3, 1942 Family Progress Report, June 7, 1943.

33/ County supervisors at the end of 1942 estimated 104,000 farms were abandoned by low-income farm families during the year. See Paul J. Jehlik and Olaf F. Larson, Movement from Farms, A report on new off-farm work by FSA family heads and migration from farms by FSA and other low-income farm families, 1942, Farm Security Administration, Release No. 2, 1942 Family Progress Report, March 15, 1943.

The major reason why borrowers equaled only 42 percent of the estimated eligible farmers was that sufficient funds for loans, supervision, and administration had not been available to help the balance with the standard loan type of rehabilitation program. Even if funds had been available, 100 percent coverage could not be expected. Some would be rejected, as many have. Some low-income farmers would not participate in the program, their value system being such that they are reluctant to go into debt or resent the supervision which goes with the loan. Others might be afraid or not permitted to participate, because of some form of social pressure. Still others would be ignorant of the program unless sought out and virtually recruited while still another group would be satisfied with things as they are and wouldn't want to be rehabilitated.

Differences among regions in the degree of coverage with the funds which have been available are partly a reflection of policy and of differences in type of farming. Funds have been distributed among regions on the basis of some criteria of need, such as the relative proportion of the Nation's low-income farm families. But even when equitably allocated, one region may help more families than another by making smaller loans because the type of farming is such as to require less money to rehabilitate a family, because families requiring less money are selected, just because it is policy to keep the loans small, or because drought or other crisis situations may have affected the amount of funds and time available for the standard loan as compared with the total agency program.

Problems and Issues

Among the problems and issues suggested by this description of actual and relative standard loan program coverage are these: Are the eligibility criteria satisfactory? Should they be lowered or raised? Is it desirable to expand the program to reach all the low-income farmers potentially eligible who desire this type of assistance? With funds too limited to reach all eligible families which should be selected first for help? Should a forthright effort be made to acquaint all eligible farmers with the program or should initiative for inquiring about rehabilitation rest entirely with the individual farmer? Can all the eligible farmers find a place in agriculture where they can be fully and productively employed and attain a satisfactory level of living? If not, which ones are to stay in agriculture and which must go into nonfarm work? How can eligible families be assisted by the rehabilitation program and at the same time not perpetuate maladjustments in land use, not delay needed long-run adjustments in the agricultural economy, and at the same time achieve the human welfare objectives?

CHAPTER 6

CHARACTERISTICS AND RESOURCES OF STANDARD LOAN BORROWERS *

A description of the personal characteristics of standard loan borrowers, of their occupational backgrounds and levels of living before acceptance, and of their financial and physical resources at the time of acceptance gives a picture of the people who were assisted. It also serves as a benchmark against which to measure progress. Two additional purposes of this chapter are (1) to indicate trends in the selection of borrowers and (2) to compare standard loan families with all farm families and with farm families on relief.

Except for borrowers accepted during the period March 1, 1936-February 28, 1939, the data available are severely limited for showing selection trends and even for showing characteristics before or at the time of acceptance. 1/ The descriptive data apply primarily to families accepted when the program was administered by the Resettlement Administration and the FSA, and cover only up to the beginning of the war. 2/ Inferences concerning selection trends during the war years must be drawn from examining the characteristics of active borrowers, rather than of new borrowers.

Personal Characteristics 3/

Family Size and Composition.- The standard loan program has been for families, normal families. This is so primarily because farming is organized on a family basis. A man without a wife is not likely to be considered a good prospect for rehabilitation because having a homemaker is vital from the standpoint of the success of the farm enterprise. Rehabilitation families have predominantly been young families, with relatively young children. They have been larger than the average farm family in the Nation, the median being 4.9. 4/ Data for the period through 1940 show some downward trend in the average size of family accepted. Families have run a little larger in the Southern regions than elsewhere.

* Prepared by Olaf F. Larson and Paul J. Jehlik, Bur. Agr. Econ., U. S. Dept. Agr.

1/ Untabulated data in the files of the FSA could be used to reveal selection trends more completely.

2/ Data for limited areas are available for the categorically undifferentiated rehabilitation families under the FEHA.

3/ Objective data concerning attitudes and morale of standard loan borrowers before or at the time of entering the rehabilitation program are almost completely lacking, as far as is known, and therefore cannot be presented in this section.

4/ The mean size of household of borrowers accepted 1936-39 was 4.8 compared with the mean of 4.25 per household or occupied dwelling unit for the rural farm population in 1940. Families made loans during 1935-36 were reported by RA to average around 5.1 persons.

One-person households -- those in which the borrower was the only member -- were less than 2 percent of the total number (table 2, Appendix). Large families, those having 8 or more members, were 13 percent of all those accepted during 1936-39. The average size (mean) family accepted in 1940 was only slightly smaller than in 1936-37, 4.7 as compared with 4.9, and the downward trend was not consistent by regions.

More significant than size of family -- from the standpoint of judging labor resources, living needs, and social problems -- is the composition as indicated by the age and sex as well as numbers. Nine out of ten borrowers had normal families in the sense of having a household composed of husband and wife, with or without children (table 3, Appendix). Five percent had broken families in which children were present but either the husband or wife was not in the household. In only 2 percent of the cases was there not a husband-wife nor parent-child relationship. More than 70 percent of all the families had one or more children under 16 years of age. In 43 percent of the families, children were all under 16. In over one-third of the families, children 16 years old or over were present.

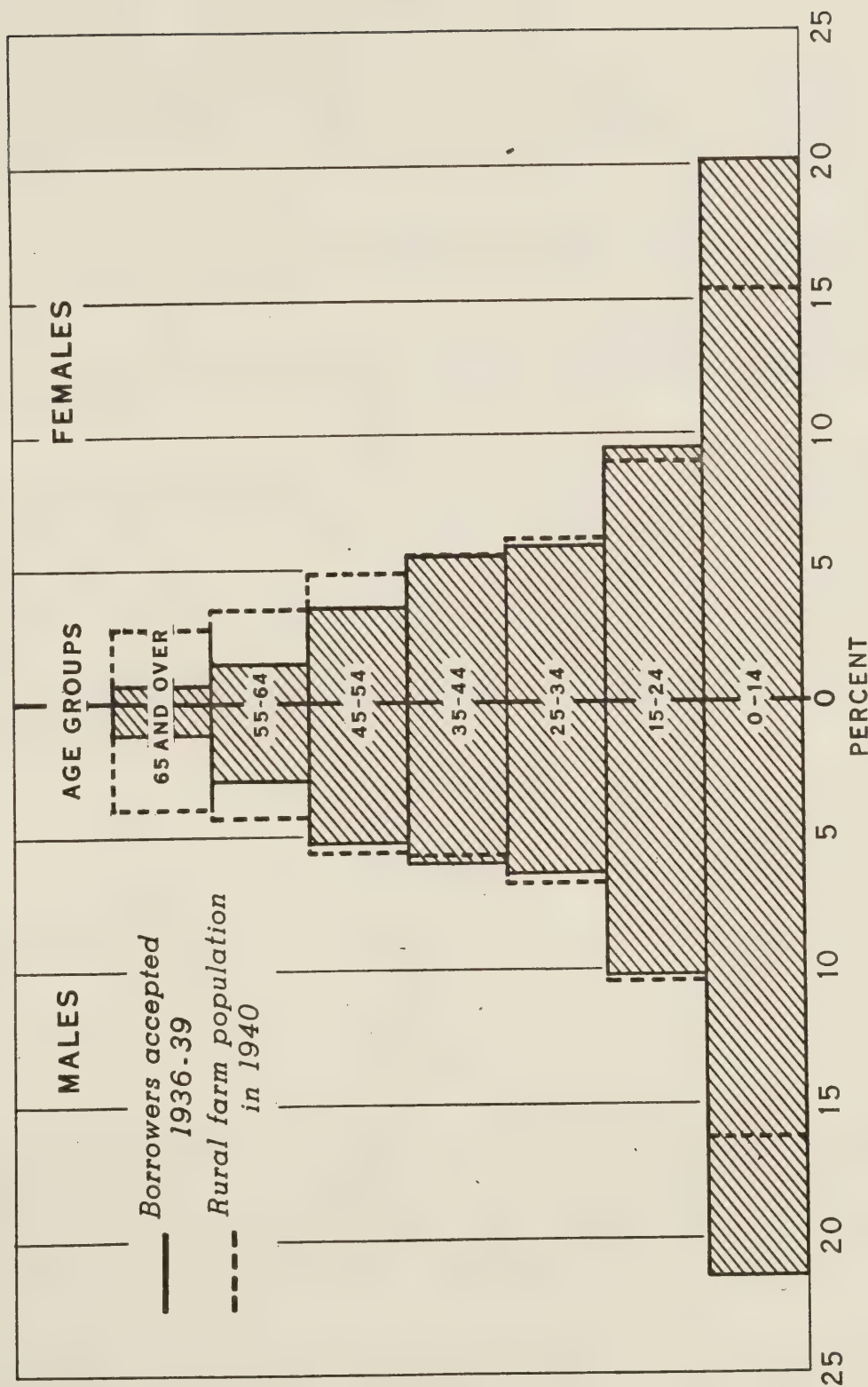
Age and Sex Composition.-- Rehabilitation families have had relatively more children and fewer old folks than the total rural farm population of the Nation. Children under 15 accounted for 42 percent of all people in rehabilitation families as compared with 32 percent of the 1940 farm population (table 4, Appendix). Both groups had about the same proportion of persons aged 15-44, most productive from the standpoint of physical labor. Persons aged 45 and over were only 15 percent of the rehabilitation population but 25 percent of the total farm population. The difference between the two groups was most striking for persons aged 65 and over which were nearly four times more numerous, proportionately, in the total farm than in the rehabilitation group. These contrasts are shown graphically by superimposing the age-sex pyramid of one group on that of the other (fig. 6). The ratio of man per 100 women was only slightly larger in the rehabilitation than in the total farm population, 114 as compared with 112.

The general age-sex distribution pattern did not change much from year to year for families accepted during 1936-39, except for a decrease in the proportion aged 45 and over and a slight increase in the proportion of women.

In every region there were more children and fewer older people among the rehabilitation than among the total farm population. This was a reflection of both selection policy and relative need. Young families were likely to be selected because they were thought to be better prospects for rehabilitation, more responsive to supervision, more cooperative, less likely to have serious physical disabilities. Young families were more likely to be in need because their children represented a greater burden of dependency in relation to family workers and because they had less time to make accumulations to withstand economic adversity.

Workers and Dependents.-- Children under 16 and persons aged 65 and over (usually considered the dependent age groups) together comprised 46 percent of the rehabilitation but only 40 percent of the total farm population.

AGE AND SEX DISTRIBUTION OF REHABILITATION POPULATION ACCEPTED 1936-39, COMPARED WITH RURAL- FARM POPULATION IN 1940



There were 29 men aged 16-64 for every 100 persons in the standard loan group accepted 1936-39 — this is 2 less than for the total farm population. There was a smaller proportion of men of working age in the rehabilitation than in the farm population in every region but VI, where they were the same.

One-fourth of the borrowers accepted in 1936-39 had at least one boy aged 16-24, living at home, 6 percent had two such boys and more than 1 percent had three or more.

Considered from the standpoint of labor supply, borrowers active in 1942 had an average of 20.6 man-months of labor available in the family during the year of which 14.2 months was represented by a man aged 16-64 (table 5, Appendix).

Age and Sex of Family Heads.— Borrowers accepted during 1935-36 and during 1936-39 were, on the average, 7 years younger than all farm operators in the United States. The latter group had a median age of 41 years compared with the median of 48 years for all farm operators reported in 1940 (table 6, Appendix). Sixty percent of the borrowers were under 45 years; this is half again as large a proportion as the 42 percent found for all farm operators. The two groups had practically the same proportion aged 45 to 54, but the borrower group had less than half as large a proportion aged 55 and over, 16 percent compared with 34 percent for all farmers. The age distribution of the two groups is summarized as follows:

| Age | Household heads of borrowers accepted | All farm operators |
|-------------|--|--------------------------|
| | 1936-39 Percent | in U. S. 1940 Percent |
| Under 25 | 7.5 | 4.0 |
| 25-34 | 25.6 | 16.2 |
| 35-44 | 27.1 | 21.4 |
| 45-54 | 24.0 | 24.5 |
| 55 and over | 15.8 | 33.9 |
| Total | 100.0 | 100.0 |
| Median | 41.2 | 48.4 |

In every State borrowers averaged younger than all farm operators. ^{5/} On the basis of age alone, the expanding nonfarm wartime opportunities and demand for men for the armed forces would be expected to draw more heavily from the borrower group than from other farm operators. However, aptitudes, skills, and attitudes in relation to employment opportunities are among the factors which influenced the relative rate of leaving the farm.

^{5/} In an Iowa study, only 19 percent of the FSA clients were found to be aged 50 and over as compared with 46 percent of all low-income operators. See Lawrence W. Witt, Economic Problems of Low-Income Farmers in Iowa, Research Bul. 307, Iowa Gr. Expt. Sta., Ames, Oct. 1942, p. 221.

That the age distribution is a reflection of selection policy is indicated by the following comment of a former assistant county supervisor in Missouri: "The general practice of the Farm Security Administration was to extend loans to operators over 60 years of age only under rather exceptional circumstances. There were occasional instances where a family required a little additional help to make themselves self-sustaining. There was a tendency to be more considerate in the case of men who had lost their resources through unavoidable circumstances.... It was the observation and judgment of the supervisors that younger men accepted supervision more wholeheartedly, and in general took greater interest in trying to follow more modern methods of carrying on their various activities. Most of the younger applicants came from families where aid to their children in getting a start at farming was impossible." 6/

All but 2 percent of the heads of borrower families active in 1943 were men. The wives in these families were 5 years younger, on the average, than their husbands.

Education.- Nearly one-half of all borrowers accepted during the 1936-39 period, 46 percent, had not completed as much as eight grades of school (table 7, Appendix). Approximately one-third of the borrowers had gone as far as the eighth grade but no further. Twenty-two percent had continued their schooling beyond the eighth grade. Eight percent had finished high school or the equivalent of 12 years of school work. On the other hand, 4 percent of the borrowers had not even finished the first grade. For all borrowers, the median grade completed was 8.1, the same as for all males 20 years old and over in the rural farm population in 1940.

A most important fact to note, however, is the wide variation among regions. The Southern Regions, IV, V, VI, and to a less extent, VIII, stand out sharply in contrast to other regions in the low educational achievement of their borrowers. The two Pacific Coast Regions, IX and XI, stand out as having borrowers with much more formal education than other regions..

The educational level of borrowers accepted in 1940 was slightly higher than of those accepted during 1936-39, as 4 percent more had completed eighth grade or better.

Educational achievement was related to the age of the head; the median grade of school finished was highest for the youngest household heads and lowest for the oldest heads.

The educational achievement of borrowers would be expected to influence the supervisory techniques used to implement rehabilitation. Work with people having limited education poses different problems in terms of attitudes and training methods than does work with a group having greater attainment.

6/ George Harness. Farm Security Rehabilitation Loan Experience in Five Missouri Counties (June, 1942), Bul. 476, Missouri Agr. Expt. Sta., Columbia, Feb. 1944, pp. 14-15.

Geographic Mobility.-- Because of the high proportion of nonowners among borrowers accepted and because of their economic insecurity, a reasonable assumption would be that they had made more moves from place to place than would be true of all farm operators.^{7/} However, the information on past spatial mobility of these families is sketchy.

Information for limited areas as of 1936 indicates that borrowers had spent fewer years on the farms they were operating at the time of application for a loan than was characteristic of all farmers in their States or regions. ^{8/}

Health.-- Physical examinations of borrowers in selected areas revealed that health problems and physical handicaps were widespread. A summary of examinations of persons in 2,477 families in 21 counties of 17 States during 1939-40 revealed an average of $3\frac{1}{2}$ defects per person. ^{9/} Colored and white persons averaged about the same number of defects; heads and wives averaged more than children. A great majority of the conditions found were preventable or remediable, calling for adequate medical care, more public health work, more emphasis on nutrition and more education.

Some of the results of these examinations for sample areas were as follows: ^{10/}

1. Dental caries was the most prevalent defect; 76 percent of white and 83 percent of colored persons aged 15 and over had carious teeth.
2. Among children under 15, 9 percent of the white and 6 percent of the colored were underweight.
3. Rickets were diagnosed for 6 percent of the white and 10 percent of the colored children.
4. Anemia -- often preventable by proper diet -- was found among 8 percent of white children and 5 percent of colored. Persons suffering from anemia are likely to lack energy and be incapable of sustained effort.
5. Heart defects were diagnosed for 10 percent of the white and 18 percent of the colored persons 15 years of age and over.
6. Hernia was found among 7 percent of the white and 5 percent of the colored males aged 15 and over.
7. Internal parasites were found among 16 percent of the white and 11 percent of the colored persons aged 15 and over. Among children the corresponding percentages were 25 and 12.

^{7/} The 1940 Census reported 16 percent of all farm operators and 33 percent of all tenants and sharecroppers had lived on their farms less than 15 months.

^{8/} Kirkpatrick, op.cit., p. 76.

^{9/} The first in a series of complete reports on this study is that of Mary Govér and Jesse B. Yaukey "Physical Impairments of Members of Low-Income Farm Families -- 11,490 persons in 2,477 Farm Security Administration Borrower Families, 1940," Public Health Reports, vol. 59, no. 36, pp. 1,163-1,184, Sept. 8, 1944.

^{10/} Based on tabulations supplied by FSA.

8. Markedly defective tonsils were found among 12 percent of the white and 30 percent of the colored children.
9. Perineal lacerations from childbirth injuries were found among 54 percent of the white and 43 percent of the colored wives of household heads.

Hookworm was found in 28 percent of the Alabama and 38 percent of the Georgia examinations in a separate survey. Examinations of FSA clients in 7 counties of Southeast Missouri, which included other than standard borrowers, revealed 33 percent of the whites and 61 percent of the Negroes 10 years of age and over had definite secondary anemia -- a condition arising from malnutrition. 11/

Among 43,000 FSA families in Texas and Oklahoma, 16,000 cases of serious illness were reported during the year 1939-40. 12/ Less than half of these cases had doctor's care. Only one out of three births was attended by a physician. Four percent of the family heads and 8 percent of the other family members among borrowers, accepted during 1936-39, had disabilities recorded by the county supervisor at the time of taking the loan application. 13/ Among Kansas families referred from relief to rehabilitation aid in 1935, 60 percent stated one or more family members needed dental care, 44 percent needed medical care, and 10 percent needed eye treatment. 14/ Seventeen percent of FSA clients in Virginia reported cases of serious illness in the family during the previous year; 22 percent of the women were in need of medical attention at the time of the report. 15/

Some defects can be attributed to lack of income to pay for medical care, lack of sufficient food, sanitary facilities, and decent housing. Many could be prevented by good diets on home-grown foods -- and by other health practices. The defects themselves tend to perpetuate the low-income status and to inhibit rehabilitation.

11/ C. E. Lively, The Physical Status and Health of Farm Security Clients in Southeast Missouri, Preliminary Rept. No. 1, Univ. of Missouri, Columbia, April 1942. For incidence of other physical defects, see C. E. Lively and Herbert F. Lionberger, Preliminary Repts. Nos. 2 and 3, July 1942.
12/ Statement on Farm Security Administration Health Service Program transmitted to Hon. Harold D. Cooley, House of Representatives, by Frank Hancock, FSA Administrator, February 16, 1944.

13/ This is undoubtedly based upon only the most obvious defects, such as "crippled leg," "1 eye blind," and "mentally incompetent," and those which the applicants specifically mentioned such as "rupture," "high blood pressure," and "rheumatism" and which the supervisor took the trouble to record. About 9 percent of all household heads accepted for rehabilitation in Arkansas in 1935 had some ailment reported; see Wilson and Metzler, op.cit., pp. 43-47.

14/ A Study Made of 719 Rural Rehabilitation Families Relative to Their Standard of Living, The Kansas Emergency Relief Committee, Topeka, 1935, pp. 14-17.

15/ William E. Garnett and Allen D. Edwards. Virginia's Marginal Population -- A Study in Rural Poverty, Bul. 335, Virginia Agr. Expt. Sta., Blacksburg, July 1941, p. 86.

Race.- Colored families have been accepted as standard loan borrowers at least in proportion to their representation among all farm operators. 16/ Thirteen percent of the borrowers accepted during 1936-39 were colored, compared with 12 percent of all the Nation's farm operators. In the four Southern Regions as a group, which in 1940 included 94 percent of the colored farmers in the United States, 22 percent of the borrowers accepted were colored compared with 23 percent of all farm operators. In Region VI, however, colored operators were definitely under-represented on the standard loan program whereas in Region VIII they were over-represented 17/ as the following summary shows:

| <u>Region</u> | <u>Colored as percent of all borrowers accepted 1936-39</u> | <u>Colored as percent of all farm operators 1940</u> |
|---------------------------|---|--|
| VI | 12.0 | 12.3 |
| V | 32.7 | 31.4 |
| VI | 27.0 | 42.0 |
| VIII | 15.7 | 11.1 |
| Total, 4 Southern Regions | 22.0 | 22.9 |
| Total, all Regions | 13.0 | 11.8 |

Colored borrowers have been a slowly increasing proportion of the total group active on the rehabilitation program (12 percent in 1937 compared with 15 percent in 1943). This increase appears to result from the fact that colored borrowers stay active on the program longer than do white, rather than because there has been any definite increase in the ratio of colored families accepted.

That colored borrowers were accepted on the standard rehabilitation program in the ratio that they bear to all farm operators does not necessarily mean that they were selected proportionately from the low-income group. Estimates for the Southern Regions indicate clearly that colored families are over-represented among low-income farm families and, therefore, are under-represented on the standard loan rehabilitation program.18/ The reason for this under-representation appears to lie primarily in the lack of physical resources of many families. Several studies show that even the colored families accepted were more disadvantaged than white families when measured by net worth, size of farm, cropland, and tenure. The low economic status of many others has undoubtedly been below the minimum eligibility requirements. During the FERA-sponsored program, Negroes in Arkansas were observed to be "timid in making their needs known." 19/ Paternalistic landlord-tenant relations were among the

16/ Negroes account for the majority of the colored borrowers. Among all families active in 1940, for example, 12.9 percent were Negro, 0.2 percent were Indian, and 0.1 percent were "other" colored races.

17/ The over-representation in Region VIII is exaggerated because "Mexican" and "Spanish-American" were included with "colored" borrowers but were classified as "white" in the 1940 U. S. Census.

18/ Racial Aspects of Rural Rehabilitation Family Acceptance, FSA Program Analysis Rept. No. 14, Dec. 5, 1940.

19/ Wilson and Metzler, op.cit., p. 10.

forces tending to restrict the proportion of colored borrowers. 20/

A comparison of colored and white borrowers active in 1940 in the Southern regions showed heads of colored families to average 3 years older and to have about half as much formal schooling. The colored families averaged one person larger and were more likely to lack a husband or a wife.

It is clear that in accepting colored borrowers in proportion to their numbers among all farmers, the standard loan program had to work with a group even more disadvantaged than were the white borrowers accepted. It also appears that if they were accepted more nearly according to their proportion among all low-income families the program would have to be adapted to work with a group having even more restricted resources and occupying a more disadvantaged status than those who were accepted.

Tenure and Occupational Backgrounds

Occupation.- More than 9 out of 10, 92 percent, of the borrowers accepted during 1936-39 had been engaged in agriculture during the year before their first loan. It is probable that a large part of those classed as "nonfarm," because they had not been in agriculture the major part of the year before coming on the rehabilitation program, considered farming their "usual" occupation. 21/ They had been displaced by loss of farm or job. Fewer of those who had been "nonfarm" were accepted as the program continued, the proportion being 6 percent in 1938-39 compared with 11 percent during 1936-37. The nonfarm group was relatively twice as large in Regions XI and XII than in the country as a whole (table 8, Appendix).

Little is known about the nonagricultural employment of those in the nonfarm group, but the available evidence indicates the majority had held jobs near the bottom of the occupational scale. 22/

Although varying by tenure and age (to the extent the agricultural ladder functions, age and tenure should be positively correlated), the majority of rehabilitation borrowers have had from several years to a

20/ For evidence leading to this and similar conclusions, see Harold Hoffsommer, "Landlord-Tenant Relations and Relief in Alabama," Monthly Report of the Federal Emergency Relief Administration, Oct. 1 through Oct. 31, 1935, pp. 1-4; T. J. Woofter, Jr., "Landlord and Tenant on the Cotton Plantation," Monthly Report, June 1 through June 30, 1936, pp. 88-99.

21/ All but 2 percent of heads of rehabilitation families active in June 1935 had had farm experience although only 89 percent were farm operators or laborers by usual occupation. See Asch and Mangus, op.cit., p. xviii.

22/ Asch and Mangus, op.cit., table 19, p. 126; Wilson and Metzler, op.cit., pp. 19-20.

lifetime in agriculture since reaching working age. ^{23/} They are not agricultural amateurs although they are frequently unfamiliar with modern techniques.

Off-farm Work.- Despite the small proportion spending the majority of their time in nonfarm work, half of all the borrowers accepted during 1936-39 reported some income from off-farm work during the year before their first loan. This low-income group had some off-farm work much more frequently than all farm operators. In 1939 only 29 percent and in 1934 only 30 percent of all farmers reported work off their farms, according to the U. S. Census. Only part of this difference is due to the borrower group including 14 percent not operating farms the year before coming on the program. Borrowers in three Southern regions and in XII did not report off-farm work as frequently as those in other regions. This may reflect regional differences in work opportunities. Having some receipts from off-farm work was correlated with age of head, the proportion of borrowers having such income decreasing with an increase in age.

One-fifth of the borrowers accepted during 1936-39 received half or more of their total cash income from work off their own farms. The four Southern regions and VII were below the others in the proportion of borrowers relying so heavily upon outside earnings. Regional variations in the off-farm work pattern are summarized in the following tabulation for borrowers accepted during 1936-39:

| | U.S. | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII |
|---|------|----|----|-----|----|----|----|-----|------|----|----|----|-----|
| Percent with receipts from off-farm work year before acceptance. | 49 | 57 | 59 | 66 | 51 | 26 | 49 | 52 | 43 | 72 | 61 | 56 | 43 |
| Percent with half or more of cash receipts from off-farm work year before acceptance. | 21 | 22 | 34 | 32 | 18 | 11 | 18 | 18 | 20 | 40 | 26 | 25 | 26 |

The above-average reliance upon off-farm work, even after allowance for the influence of borrowers who were not farm operators, suggests

^{23/} For the situation among borrowers in major agricultural areas in June 1935 see Asch and Mangus; op.cit., pp. 65-66; for Regions II and X in 1936 see Kirkpatrick, op.cit., pp. 35 and 49-50. However, in a sample of Iowa FSA borrowers, 27 percent of whom were less than 30 years old, nearly half had been farm operators 1 year or less when they received their first loan; see Calvin C. Stillman, "Examining FSA in Iowa," Iowa Farm Economist, Feb. 1942, pp. 11, 16.

many were on farms too small or too inadequately stocked and equipped to utilize the available family labor and to produce the income needed by the family. Some, of course, because of drought or low prices for farm products may have temporarily resorted to off-farm work to supplement the farm income.

Tenure Status.- Six out of every 7 borrowers accepted during 1936-39 had been operating a farm during the year immediately before coming on the rehabilitation program. Those who had been tenants were most numerous, accounting for 42 percent of all those accepted (table 8, Appendix). Full owners were second with 28 percent of the total, while part-owners made up an additional 7 percent. Nine percent of the borrowers had been croppers. Nonoperators were about equally divided between those who had been farm laborers and the "nonfarm" group.

Tenants were most numerous in all but four regions -- I, IV, IX and XI -- where full owners led in numbers. Croppers assumed considerable importance in the Southern regions, especially V and VI. Region II greatly exceeded all the rest in the acceptance of those who had been farm laborers; many were young men whose fathers were unable to give them a start.

During the 1936-39 period, the tendency was to accept a larger proportion who had been tenants or croppers 24/ and a smaller proportion who had been full owners. The percentage who had been farm laborers or part-owners changed but little over the 3-year interval.

In the four Southern regions, the proportion who had been tenants or croppers was larger among the colored than among the white borrowers, 67 as compared with 54 percent. The whites had a larger proportion who had been full owners, farm laborers, or nonfarmers. The same proportion of both groups had been part-owners.

After coming on the rehabilitation program there were about two tenants to every owner or part-owner, an almost exact reversal of the ratio among all farm operators in 1940; there were practically no croppers after acceptance, as rehabilitation policy required a tenure status more stable than the customary sharecropper arrangement. Tenure and age were associated, the median age of borrowers who had been farm laborers being 33, croppers 37, tenants 40, part owners 45 and full owners 47. Based on borrowers who completed a farm and home plan after acceptance, the median for the nonfarm group was 38.

The tenure and occupational background show conclusively that rehabilitation aid has been restricted to those already having some foothold in agriculture, usually as a farm operator. Relatively few have gone directly from farm laborer to operator status with the help of a standard loan. The large percentage of tenants suggests that although their

24/ Very likely the proportion who had been croppers was much larger during the first year or two of the program than during any later period. The "usual" occupation was cropper for 17 percent of the heads of rehabilitation families active in June 1935, which was nearly double the proportion for 1936-39. See Asch and Mangus, op.cit., table 21, p. 60.

rehabilitation has been effected mainly by themselves and the Federal agency, their landlords could help or hinder them. That so many owners sought rehabilitation aid reflects the impact of heavy debt in the face of falling prices or loss of crops, or some disaster such as fire, flood, or ill health, or inadequate land resources.

Relief History.-- Under FERA most of the rehabilitation families were direct transfers from the relief rolls. Under the Resettlement Administration, probably most of the borrowers had been on direct or work relief or were eligible for public assistance. Under FSA new borrowers were less likely to have had a relief record before acceptance, other than a grant. This is partly because RA had been assigned responsibility for aid to all agricultural families. During the 1936-39 period, which includes both RA and FSA administration, more than one-third of the borrowers accepted are known to have received relief.

Of borrowers accepted during 1937-38, 11 percent had received grants during the preceding year; of those accepted during 1938-39, 6 percent had received grants during the prior year and 5 percent during the second year preceding the first loan.

That so many borrowers accepted during the first few years had a relief history is indicative of the depressed socio-economic status of the rehabilitation group, of how hard-hit they had been, and of the low level at which they had been living just before receiving rehabilitation help. It raises the question of what has been called "relief consciousness" and other attitudes influencing the rehabilitation of these families.

Levels of Living

By every measure for which information was available -- cash expenditures for family living, value and quantity of food produced for home consumption, housing, household facilities, and social participation -- the rehabilitation families had a low level of living during the year before they entered on the standard loan program.

Cash Expenditures for Family Living.-- 25/ The cash outlay for family living by borrower was low, and varied considerably by regions. Data limited mainly to borrowers accepted during 1933-39 shows a range from \$98 in Region V to \$499 in Region IX in the median cash expenditures the year before the first loan (table 9, appendix). 26/ This represents about \$19 per person in Region V and \$108 in IX, five times as much in one region as in the other. In other terms, 86 percent of the Region V but only 4 percent of the Region IX borrowers had spent less than \$200; only 1 percent of the Region V but 50 percent of those in Region IX had spent \$500 or more. Expenditures in the other three Southern regions were also well below those for the rest of the Nation.

25/ Includes food purchased, clothing, personal, medical care, household operations, minor housing improvement, minor furnishings, school, church, recreation, etc., and life insurance.

26/ The mean cash living expenditures the year before acceptance for all borrowers active in 1940 was \$232 per family, \$46 per person, with a range from \$25 per person in Region V to \$122 in Region IX.

Family expenditures have more significance when related to the size and type of household. In general, the larger the family the larger was the cash outlay for family living in the regions studied (table 10, Appendix). But the outlay per person did not increase correspondingly, so the larger the family the smaller the cash spent per person. These points are illustrated by the following record for the 12 months before acceptance for Region VI borrowers accepted during 1938-39:

| <u>Type of normal family</u> | <u>Median size 27/</u> | <u>Cash expenditures for family living year before acceptance</u> | |
|---|------------------------|---|-------------------|
| | | <u>Total</u> | <u>Per Person</u> |
| 0 - Husband - wife | 2 | \$103 | \$51.50 |
| 1 - H-W; 1 child under 16 | 3 | 115 | 38.33 |
| 2 - H-W; 1 or more persons 16 or older | 3.4 | 128 | 37.65 |
| 3 - H-W; 2 children under 16 | 4 | 120 | 30.00 |
| 4 - H-W; 1 child under 16, 1 or more older | 4.4 | 130 | 29.55 |
| 5 - H-W; 3 or more children under 16 | 5.9 | 132 | 22.37 |
| 6 - H-W; 2 or more children under 16, 1 or more older | 7.1 | 157 | 22.11 |

Despite the restricted expenditures of these families before acceptance, plans for their first year on the rehabilitation program did not call for any marked increase. In fact, the plan in Region V, where cash living costs were already the lowest, called for a further reduction. First-year plan and before-acceptance practice for borrowers accepted during 1936-39 in selected regions are compared as follows:

| <u>Region</u> | <u>Median cash living expenses year before acceptance</u> | <u>Median planned cash living expenses first year on RR</u> |
|---------------|---|---|
| II | \$292 | \$325 |
| V | 98 | 89 |
| X | 380 | 389 |
| XI | 400 | 401 |

Neither the low of \$60 planned for Alabama borrowers nor the high of \$463 planned for Montana borrowers represents a policy of rapidly raising the level of living of rehabilitation families by cash outlay. A slight tendency was noticed to "raise the sights" a little in some regions as the program continued, but perhaps no more -- if enough -- than to keep up with rising prices. In Region II, for example, median

27/ Median size is for all families accepted 1936-39 rather than just those accepted 1938-39 for whom expenditures year before acceptance was reported; however, this affects only types 3, 4, 5 and 6 and it is unlikely that the median size of these was enough different in 1938-39 to affect the general relationship shown between family type and living costs.

cash living expenditures planned the first year after getting the loan were \$304, \$332, and \$354 for borrowers accepted during 1936-37, 1937-38, and 1938-39, respectively. Generally speaking, except in Region V, the plans had a smaller proportion of borrowers at both the upper and lower limits of the expenditure range than was true before acceptance (compare tables 9 and 11, Appendix).

No break-down is now available of the family expenditures among the several major components, such as food and clothing, before acceptance for any large group of borrowers. If the spending habits typical of low-income families were followed, however, most of the money went for physical necessities -- food, fuel, and clothing. Little was left over for medical care, schooling, and similar items. As the amount of cash planned to be spent during the first year after acceptance averaged but little more, in general, than before, it is evident that any increases in the level of living had to come principally through increased farm-furnished produce. 28/

Production for Home Use.— The mean value of products produced on the farm and used by the family -- mostly food but including some fuel -- was \$132 during the year before acceptance for borrowers active in 1937. 29/ Borrowers in Regions I and IV consistently were for above those in all other regions in their pre-acceptance value of production for home use for the 3 years for which information is available. Regions II and V, and to a lesser extent III, VI, VII, VIII, and X were below the National average. Drought may have affected the relative position of the regions and so may area variations in price levels.

The emphasis on home production of food as a means of raising the level of living without increasing the cash outlay may be inferred from the following median values of food planned to be produced the first year on RR by borrowers accepted during 1936-39 (table 12, Appendix):

| <u>Region</u> | |
|---------------|-------|
| II | \$206 |
| V | 270 |
| X | 195 |
| XI | 283 |

Region V, which had the lowest cash expenditures both before acceptance and planned for the first year, compared favorably with other regions in

28/ First year planned cash expenditures for Colorado borrowers accepted during the first half of 1936 averaged \$317, of which \$116 or 37 percent was for food, 26 percent for clothing, 22 percent for household operation, 6 percent for medical care, and 9 percent for personal items; food to be produced for home use was estimated at \$176. Data for Wyoming also given in Kirkpatrick, *op.cit.*, pp. 57-58.

29/ The comparable figure was \$150 for those active in 1939 and \$163 for those active in 1940 but it is impossible to say whether the increase represents an increase in quantity of goods produced, an increase in prices used in making the computations, or had other causes. The figure for 1940 active borrowers is equivalent to \$33 per person.

planned home production. Even so, borrowers in this region would still have a level of living below that of the Northern and Western regions with which data permit comparison.

When measured in terms of physical quantities of certain foods, rehabilitation families before acceptance clearly did not produce as much for home use as required by the standards set up for them after acceptance. For example, borrowers active in 1937, the year before acceptance, produced 27 gallons of milk per person for home use compared with the goal of 90 gallons; 35 pounds of meat compared with the goal of 100 to 125 pounds of lean meat, poultry and fish; 14 dozen eggs compared with the goal of 20 to 25 dozen; and they canned 22 quarts of fruits and vegetables as compared with a common goal of 80. The goals represent the total quantity of these items required per person annually for good health; the items are those which can be completely met by home production. Southern Regions V, VI, and VIII were notably below the other regions in the production for home use of all or a majority of the items reported (table 13, Appendix). These are the same regions that had low cash expenditures for family living. The low production in some regions, such as VII, may reflect a drought situation to some extent. Borrowers active in 1940 had better pre-acceptance records than those active in 1937 which may represent the increase in production for home use among all low-income families, the waning of the drought influence, or a selectivity of borrowers accepted or remaining in the program.

The presence or absence of certain kinds of livestock and the practice of having a garden is also a clue to production for home use. Among the borrowers accepted during 1936-39, at the time of acceptance, 28 percent did not have as much as one cow or any kind of cattle, 16 percent did not have as much as one hen or any kind of poultry, 9 percent had neither cattle nor poultry, and 43 percent did not have a hog of any age or kind (table 14, Appendix). Since only 14 percent of the borrowers were not farm operators during the year before their first loan, the explanation of these deficiencies must be that many families did not customarily have livestock for even subsistence purposes, or they had been forced to liquidate them because of the drought or for other reasons. Families in the Southern Regions, especially IV, V, and VI, were more likely to have a few chickens and a hog than those elsewhere.

Gardens, or any form of fruit, vegetables, or crops for home use were not grown by 38 percent of the families during the year before acceptance. The drought may have raised this figure above the customary condition, especially in Region VII. Families in Regions I and in IV, V, and VI were the most likely to have some form of garden or crop production for home use although this may have been nothing more than a few sweetpotatoes or a little cane for sorghum.

These crude indices of practices suggest the great possibilities for improving the level of living of the families through increased production for home use.

Housing.-- A comprehensive study of the housing of standard loan borrowers has not been made but the available information indicates that a large proportion were living in over-crowded, poorly constructed

and badly repaired dwellings at the time or after they entered the rehabilitation program.

A survey of Region VII FSA borrowers during 1939-40, showed one-fourth lived in houses rated by home supervisors as "good," one-half "fair," and one-fourth "poor."^{30/} Families were living in dwellings beyond repair. More than three-fifths of the houses had doors and windows and screens in need of repair or replacement, the same proportion needed roofing repairs, and more than one-half needed repairs or replacement of floors.

Both white and Negro families applying for rehabilitation in Arkansas in 1935 averaged 1.8 persons per room, ^{31/} compared with the good housing standard of not more than one person per room. Over-crowding was not so evident among Kansas families accepted under FERA. ^{32/} One-fifth of the Region VII families studied fell below the one room per person standard.

Household Facilities and Equipment.- Further evidence of the living conditions is given by the following information concerning the year before the first loan for borrowers newly active during 1938:

| | |
|------------------------------|------------|
| Approved water supply | 46 percent |
| Adequately screened house | 46 percent |
| Sanitary toilet | 23 percent |
| Adequate sleeping facilities | 64 percent |
| Adequate cook stove | 71 percent |
| Using pressure cooker | 10 percent |
| Adequate food storage space | 50 percent |

Regional variations were great for these as for the other aspects of levels of living. For example, only 19 percent of the Region V borrowers had an approved water supply before acceptance, 17 percent in the same region had been living in adequately screened houses, 4 percent had sanitary toilets; 48 percent in Region VI had adequate sleeping facilities; 63 percent in V and VI had adequate cook stoves; 1 percent in Region V were using pressure cookers; and 28 percent in VI had adequate food storage space. Although the interpretation of "adequate" was somewhat subjective, the data suggest clearly enough the presence of deficiencies which fostered ill-health.

Information is less complete concerning other facilities the families had before acceptance. Among borrowers accepted in Region X during the first half of 1936, less than 8 percent of the homes had piped-in water, 6 percent had electricity from any source, 13 percent had telephones,

^{30/} Foote, Conie C. and Hay, Donald G., Rural Housing Facilities of Selected Farm Security Administration Borrowers in North Dakota, South Dakota, Nebraska, and Kansas. Farm Sec. Admin., in cooperation with Bur. of Agr. Econ., Lincoln, 1941.

^{31/} Wilson and Metzler, op.cit., pp. 26-27.

^{32/} A Study Made of 719 Rural Rehabilitation Families, op.cit., pp. 6-7.

two-fifths had radios, and over one-half reported some musical instrument. 33/ In Kansas, one-fourth of a group of borrowers accepted by FERA had less than one bed for every two persons, half had no washing machine either hand or power, 19 percent had no sewing machine, 91 percent did not have running water or electricity, and 82 percent did not have a radio. 34/ Among the same Kansas families, only 66 percent had adequate dishes, 62 percent had adequate cooking utensils, 64 percent adequate serving utensils, 36 percent adequate household linens, 44 percent adequate curtains and shades, and 73 percent adequate lighting facilities. A study of Virginia borrowers in 1935 showed 1 percent had radios and 6 percent had washing machines. 35/ The average total value of household goods among borrowers accepted during 1936 in 8 widely separated types of farming areas varied from \$31 in the Arkansas hill section of the Cotton Belt up to \$231 in the Oregon cash grain-fruit-poultry section. 36/ In nearly every area, the largest families had household goods worth less than the goods of the smaller families. The Region VII study of housing previously cited found 1 out of 25 homes having 3 or more persons per bed, 5 percent had electricity, 29 percent had a kitchen sink with a drain, 58 percent had a power washing machine, and 25 percent had a sanitary toilet.

The small proportion of the families having the more modern facilities or an "adequate" supply of even the most commonplace everyday facilities such as knives, forks, plates, beds, and chairs is indicative of low socio-economic status. The extent to which this low status was new to the family and had come as a result of depression and other crisis experiences, or was of long standing, has not been ascertained. Morale, attitudes, the adjustment of the families to the status, would all be influenced by whether the status was new or customary. So, too, would the social-psychological problems involved in helping the families achieve rehabilitation goals.

Social Participation.- Limited participation in any form of organized group activity is indicated by the fact that during the year before acceptance, only 30 percent of the borrowers first active in 1938 had one or more family members taking part in community organizations. Only 11 percent participated in one or more community or cooperative services other than health. In a study of borrowers accepted in Region X during the first half of 1936, 51 percent of those in Colorado reported they did not attend community meetings, 59 percent did not attend Extension Service meetings. 37/ A large proportion did not take part in other forms of social and recreational activity, even of an informal kind.

33/ Kirkpatrick, op.cit., p. 57.

34/ A Study Made of 719 Rural Rehabilitation Families, op.cit., pp. 10-11.

35/ Charles G. Burr and William E. Garnett, Marginal Housing, Rural Sociology Rept. No. 8, Virginia Agr. Expt. Sta., Blacksburg, June 1939, p. 18.

36/ Kirkpatrick, op.cit., pp. 60-76.

37/ Eric B. Wilson. Social and Economic Analysis of Agriculture on the Farm of Standard Rural Rehabilitation Borrowers, unpublished, Re-settlement Administration, Denver, 1937.

Even this sketchy picture of participation is a clue to the social isolation which characterized the majority of the borrowers before acceptance. This isolation may be partly due to a sheer lack of organizations or institutions in which to take part or to the distance away from them. It appears more likely to be due to the attitudes on the part of families and their neighbors, growing out of loss of status or long-standing low status. For example, low income may prevent having clothes considered to be "adequate" ^{38/} for going to meetings so the family stays home rather than go in clothes that show their poverty. Or an attempt to participate may be thwarted by unfriendly attitudes of dominant groups within the community.

Income and Financial Resources

Before acceptance the average family had small gross and net cash incomes; to this fact can be attributed much of the low levels of living and poor health. They even had limited assets with which to produce an income. At the same time, the range in incomes and financial resources, both within and among regions, was striking.

Gross Cash Receipts.— Total cash receipts from all sources but loans during the year before acceptance as a standard loan borrower averaged \$358 (median) for the families accepted during 1936-39. One-third of the borrowers had receipts of less than \$250, nearly one-third had receipts of \$250 to \$499, and slightly more than one-third had receipts of \$500 or more (table 15, Appendix). Only 13 percent had cash receipts of \$1,000 or more. Many of the families with very low incomes must have had to borrow, get help from relatives or friends, or have received relief commodities in order to live. It is recognized that there may have been a tendency to understate income, especially in the early years of the program. Despite the restricted receipts for the great majority, in every region there were a few families who had taken in at least \$2,500.

The variation among regions is brought out by the median receipts, ranging from less than \$250 in Regions V, VI, and VIII to almost four times as much in Regions I and IX.

Average before-acceptance receipts of borrowers increased from \$331 for borrowers accepted during 1936-37, to \$363 for those accepted during 1937-38, and to \$382 for those accepted during 1938-39. This increase in the average was brought about more by a striking decrease in the percentage having receipts of less than \$125 than by the slight increase in those taking in \$1,000 or more. In every region, borrowers accepted during 1938-39 had higher incomes than those accepted during 1936-37, reflecting both an improvement in general economic conditions and a tendency to select families on a progressively higher economic level.

^{38/} Among 719 Kansas rehabilitation families accepted by FERA, only 29 percent had "adequate" clothing.

In each of the four Southern Regions, the whites averaged larger receipts than the colored borrowers, the medians being \$275 and \$213, respectively, for the entire area.

Median "before acceptance" receipts were highest for families with heads aged 45-54 and much the lowest for those with heads under 25. By tenure, the median for part-owners was \$501, full-owners \$432, tenants \$345, farm laborers \$305, nonfarm \$250, and croppers \$211.

Net Income.— The net cash income is the amount that is left after deducting cash farm operating expenditures from the cash receipts. Not much can be said about the net cash income of borrowers before acceptance, except that for a group of borrowers accepted during 1938-39 the median was \$262. ^{39/} In most regions the median ran from one-half to two-thirds of the median cash receipts. Out of this sum, in the event farm expenses are actually paid first, must come family living costs, interest, debt retirement, and any savings or new investments. For families of husband, wife, with three or more children under 16, the median net cash income before acceptance in 1938-39 for selected regions was as follows:

| <u>Region</u> | <u>Net Cash Income</u> |
|---------------|------------------------|
| IV | \$296 |
| V | 145 |
| VI | 183 |
| VII | 368 |
| VIII | 331 |
| X | 542 |

Major Source of Cash Receipts.— That rehabilitation borrowers had been primarily dependent upon agriculture for their income is shown by the fact that farm sources provided the majority of the cash receipts during the year before acceptance for 7 out of 10 families accepted during 1936-39. Crop sales accounted for half or more of the total receipts of 42 percent of the borrowers, livestock and livestock product sales were the major source for 21 percent, and other farm sources or a combination -- including benefit payments -- were the major source for 10 percent (table 16, Appendix). One-fifth of the borrowers derived at least half of their receipts from off-farm work.

The major sources vary from region to region and provide some index of the type of farming practiced. Income from the sale of crops was the most prevalent major source in the four Southern regions and in XII, while livestock product sales were the most frequent in all the other regions but IX, where off-farm work led all other major sources of receipts. The older the head the more likely he was to depend upon the farm for his income and the less likely he was to depend on a nonfarm source.

^{39/} Net cash income was reported for only 8,860 borrowers compared with the 14,309 accepted during 1938-39 who were included in the BAE study.

Benefit Payments.— Only 19 percent of the families who farmed reported receiving any Government benefit payments during the year before acceptance for participating in crop-adjustment or soil-conservation programs. Of course there may have been some under-reporting of this item. It was the major source of receipts for as many as 5 percent of the families in only one region, -- XII.

Off-farm Work.— The half of the borrowers who had any earnings from off-farm work received a median amount of \$149 from this source (table 17, Appendix). The amount was less than \$50 for 20 percent but was \$500 or more for 13 percent. The largest amounts, indicating close to full-time employment at a nonfarm job for a considerable part of the year, were for those who were not farm operators during most of the year before acceptance.

Earnings from off-farm work averaged far less for borrowers in the South and in Region VII than elsewhere.

Farm Receipts.— As one further measure of the dependence upon agriculture before acceptance, it was found that, among the 1936-39 borrowers who had any farm receipts whatsoever, such receipts were virtually the sole source of income for 58 percent (table 18, Appendix). Another 27 percent of this same group derived from 50 to 90 percent of their gross cash from the farm. Complete dependence upon the farm income was most marked in Region V, least in IX. Colored borrowers were much more likely than white borrowers in each of the Southern regions to have been almost entirely dependent upon their farm income, 70 percent of them as compared with 54 percent of the whites getting at least \$9 out of every \$10 from the farm.

Among the 1936-39 borrowers having any farm receipts before acceptance, the median income from this source was \$289 and varied all the way from \$203 in Region VI to \$783 in Region I (table 19, Appendix). Again all the Southern Regions were low, even averaging under drought-hit Region VII. One-third of the families reported farm incomes of less than \$200. Nearly three-fourths were under \$500; only 1 in 9 reported a farm income of \$1,000 or more. Again, despite the generally low farm incomes, in every region a few borrowers were accepted who had received at least \$2,000 and in Regions I, IX, X, and XI the proportions with such farm incomes ranged between 9 and 13 percent of the regional totals.

Unfortunately, it is impossible to compare these farm-income figures directly with those for all farmers. But it is clear that those accepted have included both some above and some below the group included in the Table I estimates as potentially eligible for standard loans. Low farm prices or drought and other calamities of nature were not sufficient to explain the small farm incomes of the majority of the borrowers before acceptance. Rather the explanation would seem to rest in such factors as too-small farms, impoverished soil, lack of working capital, deficiencies in managerial ability, out-moded farming practices, and ill health.

Diversification of Farm Receipts.— The most specialized farming was practiced in the Southern Regions V and VI where 57 and 62 percent, respectively, of the borrowers accepted during 1936-39 had only one

farm enterprise yielding 10 percent or more of the cash receipts from both crops and livestock during the year before the first loan (table 20, Appendix). Examples of "enterprises" are cotton, wheat, dairy products, poultry and eggs, and feeding cattle. Regions II and VII were most diversified, only 18 and 17 percent, respectively, of their borrowers having but a single enterprise contributing at least 10 percent of farm receipts and both having about one borrower in six with 4 or more such enterprises.

For the country as a whole, borrowers were putting "all their eggs" in just one or two market baskets: 38 percent had but one enterprise and 30 percent but two contributing at least 10 percent of their farm income. Only one-tenth were practicing diversified farming to the extent of having four or more such enterprises. The number of farm enterprises is not only a clue to farming practices but is a clue to the dependability and stability of income from farming since dependence upon a single source for most of the farm income is likely to involve more variability in that income than dependence upon several sources.

Value of Assets.— The median value of all the assets at the time of acceptance was \$857 for borrowers accepted during 1936-39 with a range from the low of \$358 in Region VI to nearly 10 times as much in Region I, \$3,369 (table 2). More than one-third of the borrowers came on the rehabilitation program with assets valued at less than \$500, nearly three-fourths had assets of less than \$2,000 (table 21 Appendix). Even though the assets may have been appraised liberally, as reports from the field indicate was the practice of some county supervisors in the early years of the program, it is clear that the majority of the borrowers were severely limited as to the amount of capital at their disposal which could be used in producing an income. Only 2 percent had assets, including farm land and buildings, valued at as much as \$10,000.

Assets were closely related to tenure status, the median values according to the tenure during the year before acceptance being as follows, in order:

| | |
|--------------|-------|
| Part owner | 2,694 |
| Owner | 2,599 |
| Tenant | 612 |
| Nonfarm | 268 |
| Farm laborer | 234 |
| Cropper | 198 |

Assets were also related to age of head as the older the head the larger the value of assets. The median went from \$345 for those under 25 to \$1,495 for those 65 and over.

The tendency during the 1936-39 period as the program continued was to select a smaller percentage of the applicants who had extremely restricted financial resources. This appears to have been due more to selection policy than to improved economic conditions.

Table 2.- Median values of selected financial items at the time of acceptance for standard loan borrowers accepted during 1936-39 1/

| Region | Assets | Livestock and equipment | Farm land and buildings 2/ | Amount of liabilities | Net Worth | |
|--------|---------|-------------------------|----------------------------|-----------------------|---------------------|------------------|
| | | | | | Without real estate | With real estate |
| | Dollars | Dollars | Dollars | Dollars | Dollars | Dollars |
| U. S. | 857 | 311 | 2,064 | 145 | 391 | 543 |
| I | 3,369 | 808 | 3,492 | 1,337 | 819 | 1,540 |
| II | 1,500 | 581 | 2,737 | 392 | 704 | 929 |
| III | 974 | 523 | 2,754 | 275 | 528 | 648 |
| IV | 954 | 245 | 1,687 | 101 | 407 | 769 |
| V | 439 | 151 | 1,238 | 49 | 305 | 371 |
| VI | 358 | 109 | 951 | 25 | 220 | 286 |
| VII | 1,205 | 733 | 3,948 | 693 | 352 | 435 |
| VIII | 456 | 228 | 2,030 | 67 | 278 | 347 |
| IX | 2,820 | 574 | 3,351 | 644 | 718 | 1,696 |
| X | 2,377 | 873 | 3,173 | 881 | 729 | 1,156 |
| XI | 2,645 | 708 | 3,691 | 704 | 816 | 1,494 |
| XII | 971 | 456 | 3,405 | 248 | 396 | 553 |

1/ Source: BAE study.

2/ Exclusive of borrowers not owning farm land or buildings at time of acceptance.

Value of Livestock and Equipment.— Perhaps the best single index of the working capital of a borrower is the value of his livestock and equipment. The value of the total assets gives some indication of the financial resources, but frequently, for land owners, such a large proportion of the assets are tied up in fixed capital -- land and buildings -- that the borrower lacks working capital to operate his farm.

Among borrowers accepted during 1936-39, the median value of livestock and equipment at the time of the acceptance was \$311 with a range from \$109 in Region VI to 8 times as much, \$873 in Region X (table 2). All Southern regions averaged far below the others. Three out of 10 borrowers had less than \$125 worth of livestock and equipment while about 15 percent had working capital worth \$1,000 or more (table 22, Appendix).

Practically all the borrowers lacked the livestock and equipment required to meet even the minimum specifications for a family farm in their localities which could produce a reasonably satisfactory level of living. 40/ Even the low values do not adequately portray the generally poor quality of livestock and the dilapidated condition of equipment.

Working capital, like total assets, were directly associated with the age of the household head. The median values by tenure were as follows:

40/ See Rush and Larson, op.cit.

Part owner, \$616; full owner, \$412; tenant, \$373; nonfarm, \$99; farm laborer, \$90; and cropper, \$77.

Value of Land and Buildings.— The one-third of the borrowers who did own farms at the time of acceptance generally had farms that were small, infertile, rough, eroded, uncleared, undrained, with poor buildings or were otherwise handicapped from the standpoint of productivity as indicated by their value. For borrowers accepted during 1936-39, the median value of such land and buildings was \$2,064, only 37 percent as large as the mean for all farms in 1940. The range was from the low of \$951 in Region VI to four times as much in Region VII, \$3,948 (table 2). The farms of 22 percent were valued at less than \$1,000; of only 4 percent at \$10,000 and over (table 23, Appendix).

Amount of Liabilities.— Three out of every four borrowers reported debts at the time of application for the first loan (table 24, Appendix). The median amount of debts for all borrowers was \$145 (table 2). Borrowers in Region I were much more heavily in debt, \$1,337, than those elsewhere. Two Southern Regions -- V and VI -- showed the least median indebtedness per borrowers, \$49 and \$25, respectively.

In addition to the one-fourth of the borrowers accepted during 1936-39 for whom no debts were reported, another one-third had liabilities which amounted to less than \$250. One-fifth owed at least \$1,000. A few borrowers in every region, as many as 10 percent in I and X, had liabilities of \$5,000 or more.

The indebtedness is understated, if anything. It is not known to what extent the high percentage of borrowers in the Southern Region who reported no liabilities at the time of the first loan was accurate. During the early years of the program it was not infrequent for liabilities to be discovered after a borrower was accepted.

The amount of liabilities had considerable relation to the age of head. The younger the head the more likely he was to have very small, if any, debts. The older he was, up to 65, the more likely that he had relatively large debts. Full and part owners had the largest debts because of real estate mortgages. Croppers had the least. Tenants were more likely than the farm laborers or nonfarm groups to be in debt -- they could offer more security for a loan.

Relation of Liabilities to Assets.— The reason many of the borrowers without debts did not have any was because they did not have enough assets to offer as security for credit. Among borrowers accepted during 1936-39, the larger the amount of assets, the larger was the proportion who had liabilities. Two-thirds of the borrowers with less than \$125 worth of assets had no debts (table 25, Appendix). All of those with assets of \$10,000 or more were indebted.

Nearly one-sixth of the borrowers had debts that were 60 percent or more of their assets. Above \$3,000, the larger the assets, the more likely a borrower was to have less than a 40-percent equity in his property.

From the standpoint of credit, two extremes were represented among the borrowers accepted. On the one hand was a large group who had little or no debt because they had such limited security and on the other hand were those who had large debts because they had borrowed to the limit of reasonably large assets. Although neither group could get credit elsewhere, the rehabilitation problems of the two extremes were very different. One group needed resources, the other had the resources but needed to work out an adjustment so that debts could be met.

Net Worth.— For the average borrower accepted during 1936-39, the median net worth (assets minus liabilities) at the time of the first loan was \$543 (table 2). The range was from \$286 in Region VI to six times as much in Region IX, — \$1,696.

Within each region, those accepted ranged all the way from those having more debts than assets — 3 percent for the Nation — to those with a net worth of \$5,000 or more — also 3 percent for the Nation (table 26, Appendix). For the Nation, better than one borrower in four had a net worth of less than \$250; only one-third exceeded \$1,000. Region VII had by far the largest proportion, 16 percent, with a negative net worth. This is a reflection of the impact of drought coupled with depression. The larger net worths, \$1,500 and over, were most prevalent in the Western Regions, — IX, X, and XI, — and in Region I.

To the extent that assets were "watered" and liabilities were under-reported, these net worth figures — low as they are — present an over-favorable picture of the actual situation. In any event, these farm families had relatively small unencumbered assets.

Age and net worth were correlated, as the older the head the larger the net worth. The median rose from \$262 for borrowers where the family head was under 25 to \$1,069 where the head was 65 and over.

Net Worth Excluding Real Estate.— One effect of excluding the equity in farm real estate is to increase the proportion of borrowers having a low net worth and to decrease the proportion having a relatively high net worth. Thus one borrower in three had a working capital net worth of less than \$250. Only one in 7 had \$1,000 or more (table 27, Appendix). About 5 percent had a negative net worth, less than one-half of one percent had \$5,000 or more.

The median, without real estate equities, came down to \$391. Although the range was reduced, the \$819 high in Region I was nearly four times the low of \$220 in Region VI.

Except in Region VI, where there was no difference, white borrowers averaged a higher working capital net worth than did colored. For the South as a whole, the median was \$328 for white and \$233 for colored borrowers. However, more white than colored borrowers had a negative working capital net worth, that is, had more debts than assets. Again, age and net worth were positively correlated. The medians by tenure were as follows: Full owner, \$473; part owner, \$484; tenant, \$357; nonfarm, \$179; farm laborer, \$167; and cropper, \$149.

Without real estate, the median net worth at the time of the first loan of borrowers accepted during 1936-39 increased year by year, going from \$362 for those accepted during 1936-37 to \$407 for those accepted during 1938-39. This increase in the economic level of borrowers accepted is explained by the inclusion of a much smaller proportion at the lower end of the scale as the program continued rather than by any marked increase in the proportion having as much as \$1,000 working capital net worth.

Physical Resources and Their Use

Insecure possession of available land resources, limited livestock and power, intensive cash-crop farming, and presumably soil wasting rather than soil-saving and -building, generally characterized the physical productive resources and their use on the part of rehabilitation borrowers before acceptance.

Size of Farm.- The median size of farm operated during the year before the first loan was 88 acres for borrowers accepted during 1936-39 who had been farmers. Reflecting the great variation in the size-of-farm pattern which prevails in the different farming areas of the United States, there was a wide range among regions in both the average size of farm and in the distribution among the various size groups. The average size before acceptance was largest in the Great Plains and Mountain Regions, smallest in the Southern and Pacific Coast Regions, and intermediate in the Midwestern and Northeastern Regions. The range in medians was from 43 acres in Region VI to over 8 times as large, 356 acres in Region X (table 28, Appendix). Over half the borrowers in Regions V, VI and IX had been operating farms under 50 acres in size. A majority of the farms of 1,000 acres or more were in Region X.

During the 1936-39 period the general trend, year by year, was to accept progressively fewer borrowers who had been farming very small acreages. In the majority of regions the average size of farm that had been operated went up year by year during this period, partly as a result of selection policy.

In the South, colored borrowers had been operating smaller farms than the white group, the medians being 45 and 73 acres, respectively. Farms of less than 50 acres were operated by 57 percent of the colored but by only 35 percent of the white borrowers in the four Southern Regions.

Heads under 25 and those 65 and over were more likely than others to have the small farms of less than 20 acres, but on the whole, age of head and size of farm were not consistently related.

The greatest contrast in size of farm between the rehabilitation group before acceptance and all farmers reported by the census was in the proportion having farms under 20 acres, the size group including many part-time farmers. Only 7 percent of the borrowers had farms under 20 acres, before acceptance, compared with almost 18 percent of all farms in the United States. Three out of four, 74 percent, of the borrowers, had farms of 20 to 174 acres as compared with 62 percent for all farms. About

the same proportion of both groups had farms of 175 acres or larger. The comparative distributions are summarized as follows:

| Acres in farm | Year before first loan for borrowers accepted | All farms in U. S. |
|------------------|--|------------------------|
| | 1936-39 Percent | 1940 Census Percent |
| Under 20 | 7.1 | 17.5 |
| 20 to 49 | 22.3 | 20.0 |
| 50 to 99 | 26.9 | 21.2 |
| 100 to 174 | 24.3 | 21.0 |
| 175 to 259 | 6.2 | 8.5 |
| 260 to 499 | 7.3 | 7.5 |
| 500 to 999 | 2.7 | 2.7 |
| 1,000 and over | 1.2 | 1.6 |
| Total | 100.0 | 100.0 |

If from the census group were eliminated those which were not farms in any real operating sense, the rehabilitation group would compare less favorably with respect to land resources than it does when all farms are included. Even though the quantity of land resources of the borrowers were comparable, this would be no guarantee that they would be adequate in relation to family need, or adequate to provide full employment, or that the quality of the land was comparable. 41/

People may be poor because they have too little land or too poor land but people may also be poor on an adequate acreage of rich land because of the institutional arrangements for its use and control.

Acres in Crops.- In the number of acres in crops, just as in the size of farm there were wide variations among regions and within regions. As with size of farm the crop acreages before acceptance averaged largest in the Great Plains and Mountain Regions, smallest in the Southern and Pacific Coast Regions, and intermediate in the Northeastern and Midwestern Regions. The median for 1936-39 borrowers was 38 acres, ranging from the low of 21 acres in Region IV to the high of nearly 7 times as much, 137 acres, in Region VII (table 29, Appendix).

At least one-third of the borrowers in the Southern Regions IV, V, and VI and Western Regions IX and XI had less than 20 acres in crops as compared with one-fourth for all regions. Farms with 150 acres or more in crops were relatively unimportant outside of Regions VII, X, and XII where "dry-land" farming is common. These contrasts in acreage are associated with the crops grown, types of farming practiced, and mechanization in the different areas.

41/ A study in one county shows that although some borrowers had better than average soil, on the basis of AAA ratings their farms had an average relative productivity 90 percent of the county as a whole. See Warren R. Bailey, Rural Rehabilitation Progress in Stearns County, Minnesota, 1. A Summary Analysis, Farm Management Repts. No. 3, Bureau of Agricultural Economics, Washington, March 1940, p. 12. The Missouri study by Harness and the Kansas study of 719 RR families both suggest that borrowers were likely to be on the poorer farms within a community.

Leasing Arrangements.- The limited information available indicates that before acceptance the majority of borrowers who had been renters had no written assurance of stable tenure and no formal understanding of the mutual duties and rights of landlord and tenant. Among borrowers active the first time in 1937 who rented all or part of the land they operated, only 37 percent had had a written lease the year before. Only 10 percent had had a written lease for more than one year or a 1-year renewable lease. The four Southern Regions and XII had by far the poorest record on formal leasing arrangements. Of course, this condition may not have been peculiar to those tenants who became borrowers but simply reflects a general situation.

It is plain, for tenants, that there was not much hope for long-time rehabilitation plans involving farm reorganization, soil building, and production for home use, unless there was landlord cooperation and assurance of continued occupancy of the farm.

Livestock.- The proportion of borrowers completely lacking in any kind of cattle, hogs, or poultry for production for home use or for market has been pointed out in connection with levels of living. Likewise, the secondary role of livestock compared with crops as a major source of income, before acceptance, has been reported. Generally, where there was livestock, the herd or flock was small. Not much would be left for market after family needs were met.

In addition to the 23 percent of the 1936-39 borrowers having no cattle at the time of acceptance, 24 percent had only one cow, and 14 percent had only two (table 30, Appendix). 42/

Fewer borrowers had hogs at the time of acceptance than had cattle, although Regions V and VI were exceptions. In addition to the 43 percent having no hogs, 18 percent had but one sow, 7 percent had two (table 31, Appendix). A large group, 13 percent, had no sows but had other hogs; the sows had already been marketed or the practice was to buy feeder pigs rather than raise them. For an equally large group the type of hogs were not reported. In both of these last two groups, the hogs were very likely for home use in the majority of cases.

Borrowers were more likely to have some poultry at the time of acceptance than to have either hogs or cattle. The flocks were small, less than 25 hens being most common in nearly every region (table 32, Appendix). In only a small proportion of the cases was the flock sufficiently large to produce enough eggs for market, above family needs, to make a sizable contribution to family income or even to meet the grocery bill.

Production records before acceptance were too inadequate to merit tabulation of pounds of milk or butterfat per cow, eggs per hen, or pigs per litter, but observation of the quality of livestock and of feeding and

42/ The farm plans from which the data were obtained did not consistently show whether the cows were dairy or beef or even whether any cows were milked.

management practices suggests that not only was the livestock limited but generally so were the returns from that which the families did have.

Power.— Before acceptance the great majority of borrowers lacked the power, either workstock or tractor, required by even a minimum type of family farm. ^{43/} Borrowers active on the program in 1937 had averaged 1.1 work animals before acceptance. The range ran from one-third of an animal in Region V to three animals in Region X. Borrowers active for the first time during 1938 had only a slightly more adequate power supply. Although the complete lack of a work animal on the part of many borrowers may be inferred from the fact that in all four Southern regions the average number was less than one, these averages do not adequately portray the proportion without a mule, horse, or even an ox, nor do they tell anything about the working condition of the animals.

In Region X, which had the highest average before acceptance for both 1937 and 1938 active borrowers, 31 percent of those accepted during 1936-39 were without workstock (table 33, appendix). Although in this region, 34 percent did have a tractor, if rehabilitation families followed the usual practice of all farmers the majority of those having tractors also had horses. ^{44/} Certainly the low workstock average in Region V was not compensated for by tractors, because only 1 percent had them at the time of acceptance.

The prevailing size of farm, type of farming, and degree of mechanization within the areas was undoubtedly reflected by the power supply of rehabilitation families. In the North and West a one-horse farmer is a rarity -- the size of farm and type of equipment require at least a team or more. The large equipment and scale of operation in Region X, for example, is reflected not only by the higher percentage of tractors but by the proportion of borrowers having at least four horses.

Automobiles and Motor Trucks.— The proportion of borrowers having an automobile or motor truck at the time of acceptance is available for only four regions, but for these varied from 11 percent in Region V to nearly three-fourths in II and X (table 33, appendix). Only 3 percent of the Alabama borrowers had such equipment.

Farm Practices.— Lack of diversified farm enterprises, more reliance upon crops than upon livestock as a source of farm income, and limited production for home use have already been pointed out as clues to farm practices followed before entering the rehabilitation program.

Further clues are provided by a report of the before-acceptance record of borrowers who were active for the first time in 1938. It shows that 45 percent took part in the Agricultural Adjustment Administration program, 19 percent cooperated with the Soil Conservation Service, 15

^{43/} For power requirements in five type-of-farming areas, see Rush and Larson, op.cit.

^{44/} In the Mountain Census region on April 1, 1940, only 6.4 percent of the farmers had a tractor with no horses or mules but 21.9 percent had a tractor and horses or mules. See Analysis of Specified Farm Characteristics for Farms Classified by Total Value of Products, Bureau of the Census, Bureau of Agricultural Economics, and Farm Security Administration, 1943, p. 84.

percent practiced definite erosion control, and 2 percent had crop insurance.

An Iowa study found that low-income farmers as a group did not follow as many desirable farm practices as other farmers. For example, they were less likely to plow legume crops under, feed protein hay to cows in winter, feed dry mash to poultry all year, feed commercial feed to pigs, plant hybrid corn, buy or hatch chicks early in the spring, or have sows farrow early in the spring. ^{45/} In some cases the failure to use certain practice, such as early farrowing of sows, may be due to lack of facilities.

Studies of the farm organization of low-income farmers in various localities show that frequently the deficiencies in the physical resources and the lack of balance in relation to available labor results in a substitution of labor for capital and relatively inefficient use of manpower in terms of output per worker. ^{46/}

Borrower Trends and Comparisons

Trends in Characteristics and Resources.- Not one measure is available to suggest the year-to-year trends in the characteristics and resources of families at the time of acceptance as standard loan borrowers from the beginning of the standard loan program until the present. Except for selected localities, information is lacking for the pioneering years when the program was administered by FERA and by the RA. Data are almost equally sparse for the years since 1940 when the program was placed on a wartime basis. ^{47/}

^{45/} Witt, op.cit., pp. 243-245.

^{46/} For examples of the organization of low-income farms, see Olaf F. Larson and James C. Downing, Manpower for War Work, Eastern Kentucky, Bur. of Agr. Econ., Washington, May 1943, pp. 15-36; Robert E. Graham, Jr., Improving Low Incomes on Tobacco Farms, Caswell County, N. C., FM-24, Bur. of Agr. Econ., cooperating with North Carolina Agr. Expt. Sta., Washington, June 1941; K. L. Bachman and R. J. Saville, Farm Adjustment Opportunities in Washington Parish, La., FM-34, Bur. of Agr. Econ. and Louisiana Agr. Expt. Sta., Washington, May 1942; James C. Downing, James C. Council and S. Earl Grigsby, Balancing Labor and Land Resources for Wartime Production, Suwannee County, Florida, FM-39, Bur. of Agr. Econ., Washington, Jan. 1943; W. G. O'Leary, Organization and Operation of Farms with Suggested Adjustments in the Brown Loam Area, Mississippi, Mississippi Agr. Expt. Sta., Bul. 384, State College, June 1943; Ben T. Lanham, Jr. and William F. Lagrone, Increasing Incomes and Conserving Resources on Cotton - Corn Farms in Marion County, Alabama, Bul. 256, Alabama Agr. Expt. Sta., in cooperation with Bur. of Agr. Econ., Auburn, June 1942.

^{47/} Data are available for 1941 but have not been tabulated. Only one "before acceptance" item was included in the 1942 FSA Family Progress Report on active borrowers and three in the 1943 report. Characteristics of active borrowers since acceptance are available from the FSA reports each year beginning with 1937.

The data available permit the generalization that borrowers accepted under FERA had the lowest socio-economic status, the least amount of physical and financial resources, and were the most disadvantaged of those accepted at any time.

At least by the time rehabilitation was administered by the FSA, and probably starting after transfer from FERA to the RA, there was an upward trend in the economic level of borrowers selected. This trend was continued except for a short-lived downward swing in 1939 resulting from administrative pressure to "dig deeper." There is reason to believe that during the war the trend continued upward if policy was followed by county supervisors. As pointed out, this upward trend in the average level of borrowers has resulted more from accepting progressively fewer at the lower levels rather than from a sharp increase in those from the upper levels. The floor rather than the ceiling has been raised. In fact, as the ceiling is set by the availability of credit from other sources, and as credit has been more available during the war years than previously in the program's history, the pressure is to lower the ceiling.

The increase in the average level has not all been due to higher prices for farm products, the disappearance of most rural relief, and improved general economic conditions. A large share of the cause rests in the reluctance to accept applicants at the lowest levels because (1) they are not so likely to be cooperative and respond to supervision, (2) they require more credit and thus available funds cannot be stretched among as many families, (3) if made small loans, they cannot show as good progress and make as good a repayment record, and (4) available land resources are insufficient to provide adequate units for all applicants; those at the lowest level are most likely to have access to the least and poorest land whereas having an adequate land base has been increasingly a condition for a standard loan.

The average "before acceptance" level of active borrowers tended to rise in each successive year with the increase in the proportion of the case load made up of families accepted in later years when the general trend was upward.

Regional Contrasts.-- Within each region there has been a wide range of characteristics and resources on the part of borrowers coming on the standard program. The range has been equally great within each region for nearly all of the factors reported upon, but there are central tendencies which set individual regions or groups of regions apart with respect to the economic status of borrowers accepted.

For example, borrowers in Region I, the Northeastern States, had the highest status at the time of acceptance, compared with the other regions (table 3). Region IX on the West Coast was second high; X comprised of the Mountain States and XI in the Pacific Northwest tied for third position. Midway were Regions II, VII, III, XII and IV in order. Southern Regions V and VIII 48/ -- tied -- were in the next position followed by Southern Region VI.

48/ A rank-order rating tends to imply an equal distance between regions which may not describe the actual situation.

In agriculture as elsewhere, poverty is relative to the standards of the area. The average borrower accepted in Region VI would have to make tremendous progress to be as well off as were the borrowers in Region I even before the latter received rehabilitation assistance. Yet, in relation to the standards of their area, the borrowers of all regions may have been about equally looked upon as being in the "low income" group eligible for rehabilitation.

Table 3.- Regions ranked according to selected indices of low income status before acceptance of standard loan borrowers accepted during 1936-39 ^{1/}

| Region | Composite index : | | Value : | | Value of : | | Net |
|--------|-------------------|------|---------------|-----------|-------------------------|-------|-----|
| | Rank | Mean | Cash receipts | of assets | livestock and equipment | worth | |
| I | 1 | 1.5 | 1 | 1 | 2 | | 2 |
| II | 5 | 5.0 | 5 | 5 | 5 | | 5 |
| III | 7 | 6.8 | 6 | 7 | 7 | | 7 |
| IV | 9 | 8.3 | 9 | 9 | 9 | | 6 |
| V | 10.5 | 10.5 | 10 | 11 | 11 | | 10 |
| VI | 12 | 12 | 12 | 12 | 12 | | 12 |
| VII | 6 | 6.5 | 8 | 6 | 3 | | 9 |
| VIII | 10.5 | 10.5 | 11 | 10 | 10 | | 11 |
| IX | 2 | 2.8 | 2 | 2 | 6 | | 1 |
| X | 3.5 | 3.3 | 4 | 4 | 1 | | 4 |
| XI | 3.5 | 3.3 | 3 | 3 | 4 | | 3 |
| XII | 8 | 7.8 | 7 | 8 | 8 | | 8 |

^{1/} Based upon medians; BAE study.

Note: 1 is highest status, 12 is lowest.

Compared with Rural Relief Families.- Families transferred from FERA relief roles to rehabilitation or accepted as a standard rehabilitation borrower rather than being forced upon direct or work relief were the "cream" of the farm families "on relief" from the standpoint of capacity for rehabilitation. The rural-relief group included physically handicapped and aged operators who were more properly assigned to categorical assistance such as old-age pensions, help for broken families, those for whom agriculture was a secondary occupation, those lacking in farm operating experience, the landless, those with a poor reputation -- many of whom were screened out if they applied for rehabilitation as a standard borrower. The rehabilitation group was generally superior to the relief group in physical and financial resources, managerial experience, education, and family composition and labor supply. ^{49/} As the program continued, the distinction between the two groups sharpened.

^{49/} See Asch and Mangus, *op.cit.*, for comparison of farm relief and rehabilitation families in June, 1935; for other descriptions of rural relief families see A. R. Mangus, *Changing Aspects of Rural Relief*, Research Monograph XIV and Carle C. Zimmerman and Nathan L. Whetten, *Rural Families on Relief*, Research Monograph XVII, Works Progress Administration, Washington 1938; also references 33-74 listed in *Rehabilitation of Low Income Farmers*, *op.cit.*

Compared with All Farmers.- As compared with the average farmer reported by the U. S. Census in 1940, the average standard loan borrower at the time of acceptance was more disadvantaged in some respects, more favored or equally well off in other ways. The borrower was less likely to be an owner but if an owner, had a poorer farm as evidenced by the value of land and buildings. He had a larger family, with more children, which meant he had more mouths to feed but no more workers except for young children. His family was more likely to be unbroken, to have a homemaker. He was younger. He had about the same size of farm, although it was not likely to be as fertile or have as good buildings. He was more likely to do some work off the farm to add to his income. Although data for all farmers were not available, the chances are the borrower was more likely to have received some form of relief aid during the 1930's, to have a lower level of living and smaller cash receipts from all sources and from the farm. If a comparison could be made with only those who considered themselves farmers rather than with the census group, the rehabilitation farmer would appear even more disadvantaged with respect to resources with which to produce an income and a living.

Determining the extent to which borrowers have been selected from various economic levels of farm families, as measured by either total receipts or farm receipts, is hampered for the reasons outlined in Chapter 5. In addition, not all borrowers were farm operators during the year before they entered the rehabilitation program. However, comparing the farm receipts of borrowers accepted during 1936-39 who had any such income with the farm receipts of all farmers reported by the 1940 U. S. Census, suggests strongly that this rehabilitation group even before acceptance was distributed among all farm-income levels except the top. Roughly half of these families with any farm receipts came from the lower half of all farmers and the other half came from the upper half of all farmers but became proportionately fewer with each increase in the income level until very few were drawn from the top levels. If a comparison were possible with only those who met a more rigorous definition of farmer, the rehabilitation group would have a heavier representation from the lower income half than that indicated. During the early years of the program the borrowers were more likely than during the later years to come from the lowest income levels. This judgment as to the economic level from which borrowers were accepted during 1936-39 takes into consideration the fact that (1) cash income from farm marketings was nearly 6 percent less in 1939, the year for which all farmers reported for the Census, than for the average of 1936-38, (2) benefit payments were included for rehabilitation borrowers but not for all farmers, (3) the value of home-used products was included for all farmers but not for borrowers, and (4) the landlord's share was included in the Census figure for all farmers but not for borrowers.

Types of Problems.- Description of the characteristics, backgrounds, levels of living, and financial and physical resources has given a picture of the infinite variety of circumstances among the families who have received standard rehabilitation loans. Lack of income in relation to need has been a problem common to all the families. As with neighboring farmers, their incomes have been influenced by drought, flood, and other vagaries of nature, by price fluctuations, market demand, population pressure on available land, and opportunities for supplemental

income from off-farm work. Their levels of living have been influenced by the availability of schools, churches, and medical care in their localities. In addition, other types of problems help to explain the low-income status and have particular significance from the standpoint of implementing the rehabilitation of borrower families. The major problems may be outlined as follows: 50/

1. Physical resources to produce income and protect health.
 - a. Lack of adequate land resources -- units too small, too little cropland, poor or impoverished soil; the farm needs clearing, drainage, irrigation, or erosion control.
 - b. Lack of adequate buildings for livestock needs and feed storage.
 - c. Lack of adequate machinery and equipment.
 - d. Lack of livestock for home production and for diversified agriculture.
 - e. Housing inadequate to protect health of family.
 - f. Household equipment inadequate for health and for economical home practices.
 - g. Source of water and facilities for sewage disposal inadequate to protect health.
2. Skills and abilities to use resources to produce an income and achieve a physically healthful and socially acceptable level of living.
 - a. Poor farm management from standpoint of approved and timely crop and livestock practices, diversification to insure stability of income, soil conservation, and combination of enterprises to provide for effective use of family labor and maximum economic returns coupled with security.
 - b. Poor home management from standpoint of production and conservation for home use and practices to reduce cash outlay for family living.
 - c. Poor money management -- inability to buy and sell wisely.
 - d. Lack of knowledge of how to use "native" materials to best advantage.
3. Institutional arrangements.
 - a. Tenure -- insecure, unfavorable leasing provisions.
 - b. Lack of use of available services and facilities such as extension service, cooperatives, schools, community organizations, and medical care.
 - c. Family composition -- broken families, heavy burden of dependency.

50/ Witt, op.cit., pp. 222-223, classified low income farmers as (1) semi-retired, (2) part-time, (3) new, (4) single, (5) commercial, (6) not classified. Black, op.cit., has classified small and low-income farmers into five types which may be characterized as follows: (1) Not enough land, physically capable but too old to move to new area or occupation, (2) not enough land or resources but too old or improvement to expand output much, (3) not enough land and other resources, young enough to move to new area or job, (4) land but not enough livestock and other capital to work it effectively, and (5) part-time farmers.

4. Personal traits.
 - a. Physical handicaps -- chronic illness, physical and mental disabilities.
 - b. Education -- inadequate for coping with present-day problems of living and making a living.
 - c. Attitudes -- "relief consciousness," discouragement, unco-operative, fear of debt, suspicious feeling of inferiority or insecurity.
 - d. Personality problems:
 - e. Work habits -- not ambitious, irregular, shifting, valuing leisure above industry.
 - f. Abnormal behavior, dishonesty, drunkenness.
 - g. Low standards.
5. Social relationships:
 - a. Domestic discord within family.
 - b. Social isolation.
 - c. Inferior status because of class structure and social controls.
6. Credit.
 - a. Excessive debt load -- too heavy in relation to debt-paying ability, carrying charges too high, repayment period not adjusted to character of the farming operations.
 - b. Insufficient security for ordinary sources of credit.
 - c. Lack of credit to get necessary physical resources and to finance current operations.

Examination of these problems must lead to the conclusion that nearly all have a source in the very nature of our society, its economy and culture -- and in the relationship of the individual and his family to this society. Few of these problems, the causes of the low-income status, lie wholly in the individual and his biological ancestors. These problems, therefore, should be responsive to social action.

Seldom does a family entering the rehabilitation program have just a single problem -- a complex of problems is more characteristic. Because of the multiplicity of problems, the individualized case-method approach of diagnosis and treatment in addition to other measures is essential.

PART III. REHABILITATION TOOLS AND TECHNIQUES

CHAPTER 7

SUPERVISION *

Credit for normal farm and home operating expenses plus supervision have been the major tools and techniques used to assist the rehabilitation of standard loan borrowers. These have been supplemented by the improvement of tenure, adjustment of debts, group services, group health plans, environmental sanitation, special types of loans, and specialized programs carried on in limited areas to develop new methods or to meet localized needs. Grants were extensively used during the depression years. Neighborhood "action" or study groups at one time were encouraged as an aid to borrowers.

Credit alone has not been considered the complete formula for the successful rehabilitation of standard loan families. Experience and observation of the multiplicity of their problems early suggested that they needed more than a loan if they were to improve their position permanently. From the standpoint of public fiscal policy, if the intent was to collect such high-risk loans rather than to write them off, there had to be some form of underwriting in addition to the physical collateral. As the program developed, various tools and techniques were adopted or developed to help provide this underwriting.

Supervision, the unique feature, has been used to integrate the rest. It has been the strong point in forwarding the rehabilitation of the individual family and in protecting the financial investment of the public. "On-the-farm," teaching of improved farm and home practices and aid in making farm and home plans have been emphasized as special functions of this supervision. But many other activities have been a part of the supervisor's job.

In broad terms supervision may be classified into three categories: (1) That given the slave or peon; even though paternalistic, it contemplates no advancement in status for those supervised and no freedom for making independent decisions; (2) that extended in a limited area of activity, or to protect a special interest — as that of a creditor — without regard to the status of the individual or his other areas of activity; and (3) educational supervision, the objective of which is to improve the status of the supervised and develop his skills and abilities for his own welfare. It is intended that this last type be used by rehabilitation supervisors. Basic to this intention is the belief in the capacity of the average individual to develop, if provided an opportunity; and the assumption that most of the causes of low economic status are not inherent but arise from circumstances that can be corrected.

* Prepared by Olaf F. Larson and Paul J. Jehlik, Bur. Agr. Econ., U. S. Dept. of Agr.

There is no parallel in American experience to supervised credit as developed under the rehabilitation program, although some of the elements may sometimes be found in the plantation set-up, in country banks or private lender arrangements, or in recently developed farm-management services.

The first procedures issued by FERA suggested the rehabilitation program should include "providing the services of trained specialists in agriculture and home economics to aid in formulating plans for subsistence farming and homemaking operations and in supervising the execution of such plans." 1/ Such services were considered one of the "essential elements" of the program from the start. 2/ The supervisory techniques adopted were essentially those of agricultural and home economics extension and vocational education with a mixture of case work as practiced in the relief period represented by FERA. There were no personnel trained in the techniques that had to be developed. No institutions offered such training.

By the time the program was transferred to Resettlement, only a beginning had been made in developing supervisory methods suitable for helping the low-income families being accepted, nearly all of whom were on or were ready for relief. The supervisory aid was given continued and broader emphasis under Resettlement and was further developed, especially as to basic assumptions, under FSA. An analysis prepared in the early life of Resettlement said, "...the chief service rendered by the Rural Rehabilitation Division may be the assistance to the farm families in the reorganization of farm practices for the purpose of achieving a maximum of self-support. The services of home economists and social workers may be required in order to assist in solving problems of household management or family relationships which could otherwise defeat the purpose of the economic assistance to the farm business." 3/ The intent at this time was to give advice and guidance when loans were not necessary. Tugwell, speaking early in 1936, said, "I think myself that one of our best claims for support is just these people we have kept from borrowing money." 4/

Several studies have found that low-income farmers do not use the "cafeteria" services of educational agencies such as agricultural extension so freely as the average or upper-income farmers. 5/ Failure to seek such aid cannot be construed as lack of need for advice and information. The fact is that innovations in agricultural techniques have been so rapid that serving an apprenticeship to father or as a hired hand will no longer give a man the training he needs for a life-

1/ Objectives and Suggested Procedure for Rural Rehabilitation, p. 2.

2/ Hopkins, op.cit.

3/ Taeuber, op.cit., p. 5.

4/ Tugwell, op.cit.

5/ Meredith, C. Wilson, How and to What Extent is the Extension Service Reaching Low-Income Farm Families, U. S. Dept. of Agr. Ext. Ser. Cir. 375, Dec. 1941; Witt, op.cit., p. 245; D. L. Gibson, "The Clientele of the Agricultural Extension Service," The Quarterly Bulletin, Michigan Agr. Expt. Sta., East Lansing, vol. 26, no. 4, pp. 237-246, May 1944.

time as a farm operator in a highly competitive society. The need to know about and to be stimulated to adopt new practices is even more urgent for those who have been reared and who now live in more disadvantaged situations. They often know only the practices of a "hoe" rather than a "machine" agriculture. Supervision as a way of teaching these modern practices has been criticized, ^{6/} but studies show that new ideas are much more likely to be accepted and used where there is direct contact. ^{7/} Many rehabilitation families need training in simple farm and home tasks that are ordinarily taken for granted by farm people who are better educated and equipped. And many of these families have problems that are even more basic and so need more attention than those of adopting new farm and home practices.

Functions of Supervisors

Under FSA, responsibility for carrying on supervisory activities has rested in the county office staff. The supervisory staff has included the FSA supervisor, usually a man; an associate FSA supervisor, a woman, who frequently has divided her time between two or more county offices; and possibly one or more assistant FSA supervisors — one or more of whom in a Southern county may be a Negro. Normally the farm-management phases were handled by men and home management by women, and in this situation the home-management personnel were administratively subordinate. However, when war brought the shortage of personnel, in some counties functions were combined — home supervisors helped in farm management and vice versa.

This staff has had other duties in addition to the educational supervision of standard loan borrowers. The personnel job description ^{8/} indicated, for example, that the county supervisor was responsible for directing all phases of the agency's program within the assigned territory; receiving applications for farm ownership, rehabilitation, water facilities, and cooperative loans and for farm-debt adjustment and tenure improvements; investigating the eligibility of applicants and consulting with county advisory committees and others regarding the merits of each case; attempting to obtain adjustments when debt or tenure adjustments were necessary; guiding families in the development of farm and home plans; approving rehabilitation loans within the limits of delegated authority; recommending approval of farm-ownership, cooperative, and rehabilitation loans beyond his authority to approve; developing leadership among borrower families by the appropriate and effective methods and techniques, such as applicants' meetings, discussion groups, demonstrations, and annual meetings for borrowers; encouraging families to take part in community activities; obtaining necessary securing documents for loans; making sure that monies provided by loans were used as agreed; visiting borrowers periodically, ascertaining progress, and advising on farm and home plans; making

^{6/} Hearings Before the Select Committee...Pursuant to H. Res. 119.

^{7/} Gibson, op.cit.

^{8/} FSA Instruction 212.0; April 10, 1943. Basic responsibilities at the county level for the standard loan program have been about the same under all administrations.

collections and issuing receipts; approving or recommending approval of partial releases of mortgaged property; recommending action on defaulted cases, recommending foreclosure proceedings when necessary, and representing the agency at public sales resulting therefrom. He was responsible for the care of repossessed chattels until sold or transferred; in renewal cases, supervising the execution of renewal notes and mortgages; receiving and investigating applications for emergency grants and supervising preparation of budgets and vouchers; and cooperating with other agricultural agencies and groups in the territory and enlisting their aid in agency work.

The associate or home management supervisor performed many of the same functions as the supervisor, differing mainly in degree of responsibility. She assumed major responsibility in the home management phase of the program within the assigned territory, giving guidance, advice, and instruction in that field. For example, she assisted families in making and carrying out home plans by teaching approved methods of food production and conservation and homemaking practices; saw that necessary equipment and furnishings were provided for by income, loans, or grants; assisted families in securing necessary medical and dental care; interpreted home management in the program to the public and agencies interested in rural welfare and education through talks, radio programs, educational exhibits, and newspapers; supervised feeding in nursery schools and school lunches in schools fostered by the agency and tried to relate the school feeding to feeding in the home; and advised with and tried to secure the cooperation of other agencies in the county interested in rural welfare, health, and education in developing and carrying out an effective home-management program.

From this description of functions and from observation it is apparent that the supervisors may play several roles in their relations with borrowers. They must play the part of a banker. They are expected to play the part of a teacher or educator as experts in farm and home management. They may play the part of a family case worker. And they may serve as organizers of group activity. Maintaining the proper balance among these roles to meet the needs of the individual family within the particular community determines the relative success or failure of the supervision as an aid to rehabilitating the family. Exaggeration of any one of these roles at the expense of the others will hinder rehabilitation.

Supervisory Groups of Borrowers

Not all borrowers have needed the same degree of supervision. Supervisors, in practice, developed their own rule-of-thumb methods of allocating their time to individual borrowers. The recognized need for a definite plan for the use of supervisory time culminated in 1941 in a procedure for classifying borrowers into four supervisory groups — A, B, C, and D. 9/ The assumption was that, using one visit to an "A" borrower as a standard, the "B" borrowers should receive approximately two visits, and "C" borrowers approximately three visits. "D" borrowers

9/ FSA Instruction 758.1, May 17, 1941. Also Supervisors' Guidebook, pp. 49-50.

were to be given special advisory attention. At least once each year every active "standard family" was to be classified into a supervisory group. This was done through an analysis of the following factors:

- (1) The family's farm and home practices;
- (2) their ability to understand and to manage;
- (3) their ability and capacity to carry out their Farm and Home Plan;
- (4) their resources;
- (5) their skill in doing things;
- (6) their attitude;
- (7) their integrity;
- (8) probability of their starting a new enterprise on which they would need help;
- (9) their ability to keep and to use a record book; and
- (10) their participation in community activities.

Thus, a family might be placed in group "C" or "D" not because that family was slow but because a dairy enterprise was being started or some other new activity needed special attention and assistance for a while. At the next grouping the family might go into group "A." A new borrower whose first farm and home plan was being approved generally speaking was never placed in the "A" group the first year. Most problem cases, those making the least progress, were expected to be in the "D" group.

The war brought a change in supervisory emphasis by giving priority to the borrowers who could make the greatest increase in production of essential war products as a result of such assistance.

The characteristics of each supervisory group has varied considerably. Also considerable variation has been found from region to region, State to State, and even county to county largely because of the subjectivity of the criteria. However, a comparison of the "A" and "B" families with the "C" and "D" families, as of the end of 1941, shows that the "D" families generally:

- (1) Were larger;
- (2) had less farm resources, fewer acres, less working capital, fewer farm enterprises, and much less net worth;
- (3) had a smaller gross farm production;
- (4) had a smaller net family income;
- (5) were more likely to have received an FSA grant;
- (6) had a lower level of living, less subsistence production, and less cash family living. They were less likely to have a fly-tight house, adequate food storage, or sufficient clothing and beds and bedding, usually participated in fewer community activities and were less likely to keep a record book.
- (7) had been in the program longer;
- (8) were more likely to be tenants; and
- (9) were more likely to be colored (in the four Southern Regions).

At the end of 1941, 14 percent of the active borrowers were classified as "A," 30 percent as "B," 36 percent as "C," and 20 percent as "D." This pattern was found to be fairly consistent in all of the regions, which is evidence that the classification was a relative one within areas. Larger proportions of colored than of white borrowers were placed in the "C" and "D" groups. The comparative proportions for the four Southern Regions were as follows:

| <u>Supervisory Group</u> | | | | |
|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <u>Race</u> | <u>A</u> <u>Percent</u> | <u>B</u> <u>Percent</u> | <u>C</u> <u>Percent</u> | <u>D</u> <u>Percent</u> |
| White | 13 | 30 | 38 | 19 |
| Colored | 6 | 22 | 43 | 29 |

A characteristic of the standard loan program is that one purpose in extending credit has been to make it possible to carry out a definite farm and home plan. The original purpose of supervision may have been primarily to protect the interest of the Government by seeing that the plan was carried out so the loan could be repaid but supervision has also been a means of furthering the broader social objectives of rehabilitation.

The conviction that the basic resources for rehabilitation rest within the people themselves leads to the conclusion that a prime purpose of supervision is the improvement of skills, the stimulation of desires, and the influencing of attitudes. Decision-making ability, operating skills, ability to manage their money, and a desire to be "somebody," are among the characteristics that must be developed before complete rehabilitation can be achieved. During the war, because of the shift from rehabilitation as the prime objective of the standard loan program to emphasis on war production the family's attitudes and abilities and willingness to accept supervisory guidance were among the factors considered in selecting applicants. 10/

Supervisor-borrower relationships.- Following the analysis of an applicant family's resources and problems and the development of the farm and home plan, the supervisory process includes farm and home visits; group meetings; analyzing farm family records; use of demonstration and illustrative materials; and using off-the-farm contacts, as when the borrower makes office calls. Through the joint bank account, supervision as well as control may be exercised.

The attitudes and social values of both supervisor and supervised are extremely important in determining the type of supervision needed and offered. Some families have quickly left the program because they resented the kind of supervision they had. Others have tried to stay on as long as possible because they felt protected from a kind of exploitation they had previously experienced. Good supervision, of course, will not permit a growing sense of security to mean "drying up" or failure to develop initiative.

The social values of the supervisor, his training, and the problems of the borrower all go to determine the balancing of the supervisor's role as banker, teacher, case worker, and organizer. Likewise the status, experience, problems, and values of the borrower and the approach of the supervisor influence whether the borrower is cooperative or merely submissive, cheerful or resentful. In any event, the role of both supervisor and borrower are played in a total situation that is represented by the customs and attitudes of the community. These may be such as to favor giving every man a chance or they may be such as to force the borrower to "keep his place." Frequently the supervisor needs to interpret the borrowers to the community and the community to the borrowers. To the extent the supervisor identifies himself with the upper or dominant group within the community, he fails in this latter function.

Intensive observation suggests the importance of having a family feel that it and its problems are understood by the supervisors. "They must be assured, through making the final decision in all their undertakings, that control over their affairs will not be transferred from them to the supervisors." ^{11/} The importance of having county supervisors who understand human behavior has been demonstrated by the experience in counties where the program has been closely observed.

First steps.- Supervision begins at the time of the interview when the prospective borrower comes to the county office to find out about getting a standard loan. "Put yourself in the other fellow's place" was the key suggestion for conducting the first interview made in a supervisor's guidebook. Other suggestions were as follows:

1. Hold the interview in private if possible. It will help the applicant to realize that he is giving you confidential information and that it will be treated as such.
2. Be direct and frank. If you put all your cards on the table, he will follow suit.
3. Agree to do only those things you know you can do. If you tell an applicant frankly that he has made a request beyond your authority but that you will refer his request to someone else for an answer, you will save many embarrassing moments for both of you.
4. Let him say what he has to say before you ask specific questions, especially if he is emotionally upset, and he will give you more complete answers later.
5. Be patient with the applicant who is slow or antagonistic. Remember that he probably has missed some of life's advantages, that he may have been through enough trouble and discouragement to break most men.

^{11/} Rachel Rowe Swiger and Olaf F. Larson, Climbing Toward Security, Bur. of Agr. Econ., U. S. Dept. of Agr., Washington, D. C., Nov. 1944, p. 4.

6. To gain his confidence let him know that you have a sincere interest in his problems. Then, little by little, explain the types of FSA assistance that were designed for such troubles as his.
7. Find out what he wants to get done now or during the year, and use this immediate objective as a wedge to find out what he wants most out of life. Every man has an ambition for himself and his family — this is the goal toward which you both will work.
8. If the applicant needs assistance not from FSA but from some other source, you will want to arrange a definite contact for him, and thereby build up the usefulness of the FSA in your community. 12/

In the guidebook supervisors were urged to make clear that the program was one for the whole family, that the borrower would be visited at his farm and that the supervisors would meet with him and his neighbors from time to time, that a farm and home plan would be prepared each year by the family with the help of the supervisors, and that the Government would take a mortgage to secure the loan. They were expected to explain the "why" of the farm and home plan, the purpose of the debt-adjustment program, and the necessity of a definite equitable lease arrangement.

Before the applicant left the supervisor was expected to know whether he might be eligible for a loan, when and where the next meeting was to be, and something about the kind of help, such as debt adjustment, that might be needed. The applicant would know whether he wanted to apply formally for a standard loan and what to expect if he did. If an application was filed, references were checked by the supervisors. County records were reviewed to get a written list of secured indebtedness. There was discussion with the county committee at this point. There might also be an applicant's meeting to discuss the program.

If it appeared that the applicant might be eligible, the FSA and associate supervisors together were to make a trip to the farm to assist the family in analyzing their problems and to help them prepare a farm and home plan which would help solve these problems. At this time family, farm, and community resources were analyzed. Lease, purchase-contract, or land mortgage terms were reviewed. A complete list of debts and the reasons for them were secured. Livestock, tools and machinery were inspected and a written descriptive list made of all assets. The need for community and cooperative services, for group health services, and assistance from other sources was ascertained. An analysis of these findings determined the next step.

This procedure as described was an ideal one recommended by FSA. It has varied in practice. However, close observation in a number of counties has revealed the importance of having families thoroughly.

understand the program and what will be expected of them before they decide to participate.

The farm and home plan.- Initial instructions issued by FERA provided that the supervisory staff study each case to ascertain (a) budgetary needs for family living, farm expense, and outlay for fixed charges, and (b) the probable contributions of the farm, probable self-obtained earnings by the family, supplementary employment or work relief needed to balance the budget, and capital goods needed and likely to be managed in such a way as to make the family self-supporting. Then in co-operation with the family, a long-time rehabilitation program in written form was to be prepared. 13/

Soon specific farm and home plans for use throughout the country were developed as an aid in applying what was called the "budget test" for each family. 14/ These first plans were occasionally modified to provide for more detail until, by 1941, there was a growing conviction that the plans had become too technical for borrowers to understand fully and follow successfully. 15/ In addition, preparation of the form required considerable time by the supervisor. More simplified forms were then introduced. Occasionally individual regions have used their own version of the farm and home plans.

The farm and home plan as it was developed constitutes a signed agreement between the borrower and the agency, which was to be used by the family as a working guide on the farm and in the home and by the supervisor as a basis for processing loans, making grants, determining repayment schedules, adjusting debts, working out equitable tenure relationships, and planning the kind and degree of supervision needed by the family. 16/ A plan was expected to be developed annually, the first one before the loan was processed and later ones during the annual analysis and planning period when record books were being summarized and plans were being made for the new crop year. Planning was considered a continuing process. Even major adjustments might be made by mutual consent of the borrower and the supervisor.

Usually the individual method has been used in developing initial plans, although the group technique was adopted to some extent. In the individual method, family discussion comes first. The supervisor attempts to get a free and frank discussion of farm and home problems, what the family would like to do and what kind of help they will need. If the family has reasonable security of tenure its long-time goals are written in narrative form before making up the annual farm and home plan.

13/ Objectives and Suggested Procedure for Rural Rehabilitation, p. 20

14/ Lawrence W. Westbrook to State FERA administrators, Farm Management Forms for Rural Rehabilitation, RD-24, Jan. 4, 1935.

15/ An Evaluation of the Rural Rehabilitation Program as Related to Problems of Poverty in Agriculture, Farm Sec. Admin. Nov. 1941, Part II, p. 14.

16/ FSA Instruction 438.1, September 3, 1942.

Next the family and supervisors jointly develop the detailed annual plan in such a way that the whole family understands it. For example, the farmer understands the family living expenditures and plans for the household, and the homemaker understands the loan arrangements. Supervisors have been urged to make the plans realistic, based on down-to-earth estimates of yields, prices, expenditures, and depreciation. The family will be more willing to agree to follow such a plan.

Ideally the plan is made with rehabilitation in mind. It is aimed at making maximum use of the farm and family resources, and working out the best relationship of land, labor, capital, and management, so the family can achieve a satisfactory living and reasonable security. The plan provides for maximum production of food for home use; development of a suitable livestock program; development of a sound crop program; meeting family needs for clothing, household equipment, medical and dental care, housing, education, and community activities, life and burial insurance, and safety and fire protection. The long-time plan may call for major improvements and equipment.

Criteria were developed to be used in preparing plans. Some of these were in the nature of standards or goals such as those for nutrition, housing, and social participation (see Chap. 3). ^{17/} Others were in the nature of "ceiling" and optimum figures, established by areas such as type-of-farming, with which each individual plan could be compared. Examples are debt load per crop acre, debt load per productive animal unit, operating costs per crop acre, and power investment per crop acre. ^{18/}

An effort has been made to schedule supervisor's activities so the later plans could be made early enough each season to enable borrowers to arrange for buying supplies and equipment needed for spring work and planting. Because of the tendency of some supervisors to write the plan themselves, instructions were given that "Every effort should be made to have the family write its own plan, whether prepared individually with the families or with a small group of families." ^{19/} The intent was increasingly to bring planning activities into harmony with the "democratic process." ^{20/}

The importance of planning within the family's ability to carry out has been emphasized by successful supervisors, because (1) the family needs to experience success as a stimulus to growth, to develop faith in their own ability to succeed; (2) the family should not be pushed beyond their capacity to understand or ability to produce as this means loss of interest and cooperation; and (3) a task that is not completed does not give satisfaction to the family or strengthen its stability.

^{17/} Also see for example Form RA-Gen. 1, Resettlement Administration, May 20, 1935 for use of the home management plan; Form FSA-RR-189-189D, Farm Security Administration, November 22, 1938 for food needs at various dietary levels.

^{18/} Form FSA-X, RA-13 (Revised 2-10-41) and Region X Instruction 23, February 10, 1941.

^{19/} FSA Instruction 438.1, September 3, 1942.

^{20/} See Tolley, op.cit., pp. 76-78

Some of the problems encountered in farm and home planning include: Failure to coordinate farm and home plans; overestimating what borrowers already know; planning beyond the borrower's capacity; unrealistic planning in terms of probable yields, income, etc.; using inflated values for assets; requiring standards for items such as equipment which made the borrower doubt the supervisor's good sense; and, failure to make the plan a cooperative activity between family and supervisor.

The assumption was that a current farm and home plan would be prepared for each active borrower. This was not achieved in practice for some time. Among borrowers accepted during 1936-37, only 61 percent had a farm plan, subsequent to the initial one by March 1939 although 76 percent were still active at that time and most of those who were paid up or inactive had been on the program more than a year. Again, among borrowers accepted during 1937-38, only 56 percent had a second farm plan, made before March 1939, although 89 percent were still active borrowers. Making a current farm plan, during these years, appears to have been closely associated with a borrower's need for supplemental loans. In July 1941, only 51 percent of the active borrowers had current plans. Reasons given by supervisors for not making current plans included the following:

- (a) The home-management supervisor can't make the plans if the county (RR) supervisor doesn't.
- (b) The RR supervisor can't make plans without the home-management supervisor, who is likely to be away as she has more than one county.
- (c) Pressure of other duties.
- (d) Failure of borrowers to attend meetings especially planned for writing farm and home plans.
- (e) Frequency of changes in personnel. 21/

By 1943 (when this study was made) the situation appeared to have improved since 83 percent of the active borrowers included in the annual family progress report sample that year were reported as having prepared a farm and home plan during the same year; another 12 percent had last prepared a plan in 1942. 22/ On the whole, by 1943 borrowers were operating with current plans.

The farm family record book.- To complement the farm and home plan, a farm family record book was developed which every active standard borrower has been expected to keep. This is a year's record kept currently by the family to include: (1) An inventory of the real estate, machinery and equipment, livestock feed, seed and supplies, household

21/ An Evaluation of the Rural Rehabilitation Program as Related to the Problems of Poverty in Agriculture, Part II, p. 14., Farm Security Administration.

22/ Debt Status, Tenure and Resources of Each Class of Standard RR Borrowers in 1943.

goods, and food on hand at the beginning and end of the year; (2) a net worth statement; (3) a record of all receipts from the farm and family including sales of farm products, other income, and loans received; (4) a record of all money spent for farm and family operations, capital expenditures, and debt payments for the year; (5) production records for crops and livestock and products used in the home; and (6) a summary of the year's farm and family operations and measurement of progress.

Supervisors encourage good records by explaining the reasons for them and the ways they may be used, teaching the family how to make entries, making some use of the record at the time of each farm and home visit, and checking receipts and expenditures occasionally with the farm and home plan.

At the end of the year, the summary of the book provides a basis for checking plans against accomplishment, permits analysis of strong and weak points in the farm and home operations, and so enables the development of better farm and home plans.

It is important to make clear to the family that the book is their property to be kept primarily for their benefit. Sometimes an older child is given the responsibility of keeping the record book as a project. Many borrowers, especially those with little schooling think that the record book is too complicated. To insist on keeping the record book in a prescribed way may only strain the relation between the supervisor and the family. When working with families of little schooling, supervisors have found that even slight changes in the record book — such as a change in the color of the cover or placing an item on a different page or in a different position — are confusing to the family, and much explanation must be made. Getting items "marked down" on a calendar is a starting point in record keeping for some families. There is sometimes danger that a supervisor will insist too much on a regulation book being kept, or will do the job himself.

In 1941 only 52 percent of the active borrowers kept a record book which was or could be summarized and was sufficiently complete to reflect the year's business. The proportion varied from 35 percent in Southern Regions IV and V to between 70 and 80 percent in II, VII, X and XII. 23/

Although no comprehensive analysis has been made of the factors associated with record keeping, a study of Region VI borrowers found that household accounts were kept in homes of more good than poor household managers. 24/ Also, among active borrowers in 1941, keeping a record book that could be summarized was positively associated with supervisory groups as 62, 57, 51, and 40 percent of the A, B, C, and D groups,

23/ Family Living. Release No. 6, RR Family Progress Report, Farm Sec. Admin., May 26, 1942.

24/ Dorothy Dickins, Effects of Good Household Management on Family Living, Mississippi Agr. Expt. Sta. Bul. 380, State College, May 1943, p. 5.

On the basis of experience, FSA has suggested that in making the visit the supervisor should:

1. Begin with the family wherever found. If the homemaker is washing, the visit can start with the question of the family laundry. If the farmer is in the field, the discussion may begin with the crop in that field.
2. Let the family know in the beginning that the visit is made for the purpose of helping it; refer to some problems discussed at the last contact.
3. Be direct and businesslike but never dictatorial or condescending.
4. Find out what progress has been made since the last visit and compare with what the family had planned to do, thus tying in with the last visit. Always find something for which to commend the family.
5. Inspect the garden, the cows, the poultry flock and hogs on every visit to see that the best practices possible are being carried out. Be sure that the families know and understand what these practices are.
6. Show the families how to carry out these practices; don't just tell them. When a method is demonstrated, the family will understand better how to do the job and will have more confidence in the supervisor's ability.
7. Find out about the family's health — whether there has been sickness and whether any health problems have arisen since the last visit.
8. Determine whether the children are attending school. If not, try to find out the reason why and help make plans that will enable them to attend.
9. Make use of the information in the record book. Families will keep records when they learn how to use the information. For example, what have been the sources of income since the family was last assisted in their record? Have there been changes in conditions that warrant a change in plans? Will the income meet family living and farm operating expenses? What food is being bought that might have been produced? How much buying "outside the plan" is being done?
10. Encourage all efforts of the family at self-help such as making simple repairs and conveniences, farm tools, furniture and furnishings, mattresses and bedding.

11. Discuss any problems the family has with respect to their loan account. Inspection of chattels and comparing them with those listed on the securing instruments is important. Anticipated collections should be discussed and definite plans made for their remittance. Loan servicing on regular supervisory farm and home visits will eliminate trips for this purpose.
12. Give the family a chance to discuss any problems that have arisen since the last visit.
13. Plan with the family the work they will need to do during the next period in carrying out their farm and home plans and assist them in recording this work in the record book.
14. Be sure that the family has the guidance they need for carrying out these plans.
15. Summarize the visit. The family should understand the main points that have been covered, the reasons for the advice, and the benefits they may expect.
16. Plan for the next visit. Before leaving, discuss with the family the help they would like to have on the next visit. Let them know about when to expect the next visit. 29/

As a permanent record, following the visit the supervisor has been expected to write a short account showing the situation at the time of the visit, progress that had been made, new problems, action planned, probable date of next visit and follow-up needed at that time.

Tests to be applied in appraising the visit include: (1) Were the important problems discussed and a probable solution reached? (2) Can the family carry out the suggestions made? (3) Had the family carried out the plans that were made on the last visit? (4) Was information and advice given in such a manner that the family could understand and use it? (5) Were all materials needed at hand? (6) Was preparation sufficient to meet the situation? (7) Was the family better off for the visit having been made? (8) Does the family hope that a return visit will be made? (9) Was the visit well organized so no time was wasted but the visit did not seem hurried? and (10) Was the family given too many suggestions? 30/

In working with families in the lower levels most supervisors agree that it is better to make more short visits than fewer long visits. Such families are likely to be confused and retain only a little if too many things are talked over or attempted at one time. Leaving one idea at a time gives better results. One of the keys to successful farm and home visits is the ability to get along with people.

29/ Supervisors' Guidebook, pp. 51-54, op.cit.

30/ Ibid., pp. 54-55.

Group supervision.— Since 1938 the technique of group supervision, bringing families together for instruction, has been developed and used to varying degrees in all regions. Included are the applicant's meeting, sessions for preparing farm and home plans, the annual borrowers' meetings, and group meetings for demonstrations. There are other forms of group activity for borrowers but in the case of group supervision the supervisors assume full responsibility for conducting the meeting. Such meetings, however, may be and frequently are used to increase democratic participation in the program. Group supervision supplements but does not replace individual supervision.

The place, time, and size of meeting depend upon the type and purpose. A meeting of applicants to explain the program might be held in the county seat and draw from the entire county. A meeting of new borrowers in developing the first farm and home plan will include only 5 or 6 families, perhaps meeting at the schoolhouse or in a home. The annual borrowers' meeting may include one or more neighborhood groups within one of the areas into which the county is divided for working purposes — probably 10 or 15 families since there should be discussion. For a demonstration the group might include 25 or 30 families. 31/

The procedures recommended for group meetings that will get attended, hold interest, move along well toward accomplishing the purposes for which held, and which are participated in freely by those attending, are the same as for any successful group meeting of this type. These include careful advance preparation, making the meeting vital by approaching problems of deep concern, making the group feel the meeting is theirs, variety in the method of presenting materials, and summarizing the main results of the meeting. Hours should fit the farmers' time, not be held during busy seasons.

Administrative pressure was exerted at the beginning of the war to substitute group for individual meetings in many cases to reduce supervisory travel and conserve time. In every region the use of this technique increased between 1942 and 1943, averaging 6 times as many such meetings per supervisor in the last half of 1943 as in the last half of 1942. During the last half of 1943, 16,128 group supervisory meetings were held — 5 per supervisor — but this was reduced to 11,551 during the first half of 1944. 32/ Longer working hours to produce food, increased outside work, and rationing of gas and tires, were reported as reducing the attendance of borrowers at such meetings, but attendance records are not available. The use of this technique varied greatly by regions, States, and counties, being most frequent in the South. The frequency of use is not necessarily a clue to success in helping the families.

31/ Ibid., p. 51.

32/ FSA Report No. 1, Part VII, Table 7-C for (a) period ending Dec. 31, 1943, and (b) period ending June 30, 1944.

Supervised bank accounts.- The supervised bank account (sometimes called joint bank account) is a means of exercising control and, to some extent a supervisory technique, that was used widely in the early years of the rehabilitation program and is still used, especially in the South. When the loan is paid to the client in advance of the date actually needed by him, the county supervisor, in order to make sure that the funds will be used for the purposes outlined in the loan agreement, may require that the unused portion of the check be deposited in a bank to the credit of the borrower. The withdrawal of funds then is subject to the counter signature of the supervisor. ^{33/} These accounts have also been a means of conserving funds from income so as to increase collections and to build up a reserve that may be used to meet current needs of the crop year and eventually eliminate the need for annual operating loans. ^{34/}

Although the policy has been to make less use of this form of control, about 90 percent of the borrowers in Region V were reported to be on the supervised bank account basis during 1942. Of that number 60 percent were reported as using the accounts only for holding over the winter all or part of next year's working capital. ^{35/}

Other techniques.- A skilled supervisor turns to advantage any off-the-farm contacts made at the office or on the street. A definite day each week, usually the day on which farmers go to town, is often set aside as an office day. Posters, pictures, maps, charts, reading material and exhibits may be arranged in the office to catch the interest of the borrowers. Demonstrations and educational tours have a place in the educational activities.

Examples of useful and faulty devices.- One of the problems in supervision is to motivate families who are discouraged, suspicious and uncooperative. Praise is an effective tool used to stimulate interest and develop a sense of achievement. Some supervisors have had results by mentioning some personal problem of their own as a means of establishing "rapport." To wear simple clothing in which they can work and help families with certain tasks has won respect and cooperation, where esteem is attached to those who "ain't afraid to work." Devices to stimulate competition in adopting better practices have been useful. So have "experience" stories related by borrowers. Enlisting the cooperation of a neighbor, a storekeeper, or a minister has facilitated the adoption of new practices by families.

In contrast are such devices as coercion; the encouragement of an expression of gratitude which may damage the morale of the family by making them feel they have lost control over their own affairs; over-concentration upon one phase of the family's problems, such as physical resources, to the neglect of other needs; using a set routine of inspection for each visit to each family; and failure to adapt methods to the more retarded families.

^{33/} FSA Instruction 731.1, Oct. 25, 1938.

^{34/} Hearings Before the Select Committee... Pursuant to H.R. 119, p. 213.

^{35/} Ibid.

Supervisory Activities

How much supervision standard borrowers actually get is a moot question in the absence of any "time" studies. Any quantitative measure would fail to reveal the great qualitative differences in the supervision given. In view of the "paper work," the collection and security servicing activities, and other tasks of supervisors, it should be apparent that supervision has been only one function of county supervisors.

County supervisory personnel have generally accounted for less than half of the positions in the agency. There has been a little more than one home-management supervisor for every two RR supervisors. At the peak of activity the average county office had about three supervisors. Personnel reductions brought the average down to not more than two.

Case loads per supervisor.- Using practical farmers on a per diem basis, in at least one State under FERA each such "foreman" serviced 25 families. ^{36/} There was one "district rehabilitator," or supervisor, for each 40 foremen. The desirable case loads for efficient supervision have been set by FSA as 125 per RR supervisor and 200 per home supervisor. In an experiment using intensive supervision for families normally considered below the standard loan level, the plan was to have one RR and one home-management supervisor for each 50 families.

An analysis by FSA as of October 31, 1942 indicated that each county RR supervisor was servicing the equivalent of 200 standard borrowers and each HM supervisor the equivalent of 286 (this does not include grant-only cases or cooperative services and weights borrowers other than active standard in terms of the latter). ^{37/}

At the end of June, 1943 each county RR supervisor was responsible for an average of 183 active cases, of whom 138 were standard; 27 collection-only, all standard; and 73 dropped, therefore presumably getting neither supervision nor loan servicing (table 4). Each home-management supervisor was responsible for 285 active cases, of whom 214 were standard, plus 41 collection-only and 113 dropped cases. Considering only individual families, the weighted case loads in 1943 were about 50 percent above those recommended, being 187 for RR and 300 for HM supervisors. This also assumes only one new tenant purchase case for the RR supervisor, 2 new ones for the HM supervisor; and gives no weight to collection-only cases.

^{36/} "Rehabilitation Makes Progress in Alabama," Extension Service Review, 5:104, July 1934.

^{37/} An earlier analysis by FSA revealed a weighted caseload per HM supervisor varying from 176 in New Mexico to 707 in North Dakota. The following weights were used: Active standard, 1; active nonstandard, 1/5; individual water facility, 1; group water facility, 10; special real estate, 4; co-op service, 1; medical co-op association, 15; all other co-op associations, 20; new tenant purchase, 10; old tenant purchase, 3; grant only, 1/10. See An Evaluation of the Rural Rehabilitation Program as Related to Problems of Poverty in Agriculture, Part II, p. 8.

Table 4.-- Number of borrowers per county rural rehabilitation supervisor and home management supervisor as of June 30, 1943 ^{1/}

| Type of case | Total | | Active | | Collection- only | | Dropped | |
|---|-------|-----|--------|-----|---------------------|----|---------|-----|
| | RR | HM | RR | HM | RR | HM | RR | HM |
| Total individual families ^{2/} | 283 | 439 | 183 | 285 | 27 | 41 | 73 | 113 |
| Standard RR | 188 | 291 | 138 | 214 | 27 | 41 | 23 | 36 |
| Nonstandard RR | 83 | 128 | 33 | 51 | — | — | 50 | 77 |
| Tenant purchase | 11 | 18 | 11 | 18 | * | * | — | — |
| Farm enlargement | * | * | * | * | — | — | — | — |
| Farm development | 1 | 2 | 1 | 2 | — | — | — | — |

* Fewer than 0.5 borrowers.

^{1/} Computed from Farm Security Administration, Monthly Report of FSA Activities, FSA report No. 1, July 10, 1943, Tables 1A and 7A.

^{2/} Excluded are all project families.

Supervisory visits.— Evidence secured in 1939 concerning the number of farm and home visits indicated the supervision of active standard borrowers was generally extensive rather than intensive. The average borrower received five visits during that year, less than one every 2 months. ^{38/} Negro borrowers got two more visits than did white. Borrowers in Regions IX, V and VI received the most visits; 8, 7, and 6, respectively. Nearly two-fifths of the borrowers did not receive more than 1 visit every 4 months. Nearly three-fourths did not receive more than 1 visit every 2 months. Only 15 percent received 9 or more visits during 1939. Even among new borrowers, one-third received less than 3 visits and only 29 percent received more than 6 visits during the year.

Available information suggests that visits to the farm and home became even less frequent in later years, although stepped up somewhat in 1943, partly as a result of fewer new borrowers and smaller active caseloads per borrower. During an 8-month period in 1941-42 active borrowers received an average of only one visit. During the last half of 1942 borrowers received an average of slightly more than one visit and during the last half of 1943 a little less than two visits.

The 1941-42 data for the period soon after borrowers were classified into groups according to need for supervision shows that the actual visits by county supervisors did not follow closely their own classification as to families' need for their help. The "B" borrowers received only one-fourth more visits than the "A," and the "C" and "D" borrowers received only one-third more than the "A." The theory of the classification was that "B" borrowers would get double, "C" borrowers triple, and "D" borrowers even more visits, using the "A" group as the standard.

^{38/} Based upon FSA county supervisors' 1939 report of the family progress of active standard rural rehabilitation borrowers.

In a special 10-county experiment with intensive supervision, during a 4-year period, the number of farm and home visits per family ranged from about 3 a year in the county that relied most heavily upon group supervision to 15 a year in the county that made only moderate use of the group technique. 39/ County-to-county variations in the number of visits were influenced by the pattern of settlement, supervisory methods, and the turn-over in supervisory personnel. Family-to-family variations were influenced by the need for assistance and by the accessibility of the homestead. Observation in other areas suggests that sometimes the relationships between borrower and supervisor affect the frequency of visits — it is easier and more pleasant to visit a cooperative than an uncooperative family.

In addition to farm and home visits and supervisory group meetings, FSA records indicate supervisors usually attended about one-half the neighborhood action group meetings and about three-fourths of the community and cooperative service group meetings.

Supervisors

Characteristics.— The desired qualifications of a county supervisor as envisaged at the beginning of the rehabilitation program were the possession of the "training, experience and general qualifications of the more mature county agricultural agents." The Extension Service was of course a source of such personnel, especially since they were appointed by the State Emergency Relief Administration upon the recommendation of the State extension service. There were also assistants or "farm foremen" on a per diem basis who were good practical farmers. But before many months a move was started to replace the farm foremen with full-time professionally trained farm and home supervisors. As experience accumulated as to the kind of county personnel needed by a rehabilitation program, the tendency was to draw more upon young men and women newly graduated from agricultural colleges rather than from older people more experienced in practical farm and home operations. The opinion seemed to be that younger persons, in general, were more in sympathy with the objectives of the program and better able to learn the techniques of supervision required, and that they would be more successful in their efforts.

As a rule, supervisors appear to have been much better prepared to handle technical farm and home management problems than to cope with problems of personality adjustment, social relationships, and group organization. Unfortunately, the characteristics and experience of supervisors in relation to their success in helping families have not been studied.

Common characteristics observed among supervisors who have had the most success in aiding the rehabilitation of families at the lowest levels, include, along with an understanding of human relationships: "Vision, interpretative ability, courage, humility and patience — vision to see the possibility of rehabilitation, interpretative ability to transfer that vision to both the family and the community,

39/ Swiger and Larson, op.cit.

In a general summary report on the progress of the work of the Commission, the Commission has the honor to inform the Council that the work of the Commission has been carried out in accordance with the provisions of the Charter of the United Nations and the Declaration of the Principles of the Charter. The Commission has held its first session in New York on 14 September 1948, and has since that time held several other sessions. The Commission has also held a number of meetings of its various organs, including the Economic and Social Council, the Trusteeship Council, the International Court of Justice, and the International Commission on Human Rights. The Commission has also held a number of meetings of its various organs, including the Economic and Social Council, the Trusteeship Council, the International Court of Justice, and the International Commission on Human Rights.

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